



Medialink
羚邦

MEDIALINK GROUP LIMITED
羚邦集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2230

GLOBAL OFFERING

Sole Sponsor



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Sole Global Coordinator



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Joint Bookrunners and Joint Lead Managers



國泰君安國際
GUOTAI JUNAN INTERNATIONAL



兴证国际
INDUSTRIAL SECURITIES INTERNATIONAL

IMPORTANT

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



Medialink[®]
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MEDIALINK GROUP LIMITED **(羚邦集團有限公司)**

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 498,000,000 Shares
Number of Hong Kong Offer Shares	: 49,800,000 Shares (subject to reallocation)
Number of International Placing Shares	: 448,200,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: not more than HK\$0.53 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage fees of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value	: HK\$0.01 per Share
Stock code	: 2230

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INDUSTRIAL SECURITIES INTERNATIONAL

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 "Appendix VI – Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in 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 and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator, on behalf of the Underwriters, and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 10 May 2019 and, in any event, not later than 12:00 noon on Friday, 17 May 2019. The Offer Price will be not more than HK\$0.53 and is currently expected to be not less than HK\$0.45 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.53 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$0.45.

The Sole Global Coordinator, on behalf of the Underwriters may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$0.45 to HK\$0.53 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative offer price range will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.medialinkgroupplc.com.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator, on behalf of the Underwriters, and our Company, the Global Offering (including the Hong Kong Public Offering) will lapse and will not proceed. See "Structure of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus for further details.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in "Risk factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in "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.

30 April 2019

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.medialinkgrouppltd.com.hk if there is any change in the following expected timetable of the Hong Kong Public Offering.

2019

(Note 1)

Latest time to complete electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk <i>(Note 3)</i>	11:30 a.m. on Friday, 10 May
Application Lists open <i>(Note 2)</i>	11:45 a.m. on Friday, 10 May
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 10 May
Latest time to give electronic application instructions to HKSCC <i>(Note 4)</i>	12:00 noon on Friday, 10 May
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Friday, 10 May
Application Lists close	12:00 noon on Friday, 10 May
Expected Price Determination Date <i>(Note 5)</i>	Friday, 10 May
Announcement of the final Offer Price, indication of the levels of interest in the International Placing, the basis of allotment and the results of applications in the Hong Kong Public Offering to be published on our website at www.medialinkgrouppltd.com.hk and the website of the Stock Exchange at www.hkex.com.hk on or before	Monday, 20 May
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 our website at www.medialinkgrouppltd.com.hk and the website of the Stock Exchange at www.hkex.com.hk (see "How to apply for the Hong Kong Offer Shares – 11. Publication of results" in this prospectus) from	Monday, 20 May

EXPECTED TIMETABLE

Results of allocations in the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID Number/Business Registration Number” functionMonday, 20 May

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before (*Notes 6 to 8*)Monday, 20 May

Despatch/Collection of Share certificates on or before.Monday, 20 May

Dealings in the Shares on the Stock Exchange expected to commence on9:00 a.m. on Tuesday, 21 May

The application for the Hong Kong Offer Shares will commence on Tuesday, 30 April 2019 through Friday, 10 May 2019. Such time period is longer than the normal market practice of four days. The application monies (including brokerage fees, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Monday, 20 May 2019. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Tuesday, 21 May 2019.

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. See “Structure of the Global Offering” in this prospectus for details of the structure of the Global Offering, including its conditions.
2. If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 10 May 2019, the application lists will not open on that day. See “How to apply for the Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus for further details.
3. You will not be permitted to submit your application through the designated website at www.hkeipo.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 prior to 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.
4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to apply for the Hong Kong Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Friday, 10 May 2019. If, for any reason, the Offer Price is not agreed by 12:00 noon on Friday, 17 May 2019 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.

EXPECTED TIMETABLE

6. Share certificates for the Offer Shares are expected to be issued on or before Monday, 20 May 2019 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 21 May 2019 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
7. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms and have provided all required information may collect refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 20 May 2019 or any other day as notified by us as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

Individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in "How to apply for the Hong Kong Offer Shares" in this prospectus.

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

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to "How to apply for the Hong Kong Offer Shares – 14. Despatch/Collection of share certificates and refund monies" in this prospectus.

8. Refund cheques/e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.53 per Offer Share.

For details of the structure of the Global Offering, including conditions of the Global Offering, applicants should refer to "Structure of the Global Offering" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company 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 security 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, 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 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 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 pursuant to registration with or authorisation 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. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to 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 “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading distributor of third-party owned media content headquartered in Hong Kong with presence in the PRC, Singapore, Malaysia, Taiwan, Indonesia and Japan. Under our Media Content Distribution Business, we cooperate closely with the media content licensors through entering into content distribution arrangements with them and are capable of distributing media content relating to animation series, variety shows, drama series and animated and live-action feature films to our customers through entering into content sub-licensing agreements with them. In particular, we believe that we have a well-established position in distributing Japanese animation. During the Track Record Period and up to the Latest Practicable Date, our major customers primarily included operators of online media platforms and media networks. During the Track Record Period, revenue derived from Japanese animation distribution accounted for approximately 80.3%, 87.2%, 90.2% and 86.8% of our total revenue, respectively. According to the Frost & Sullivan Report, we ranked number one among Japanese animation distributors in the PRC in terms of revenue in 2017.

Having been engaged in the business of media content distribution for over 18 years, we have experienced the evolution and development of the media content industry in the Asia Pacific region. According to the Frost & Sullivan Report, technological advancement from the domination of free terrestrial TV, the rising of satellite and pay TV to the emergence of online entertainment platforms and OTT channels have transformed the way how media content has been consumed by viewers. Over the years of our operations, our Group has been offering media content to various media platforms and expanding our geographical footprint. We believe that as a result of our ability in identifying animation series and drama series with good viewership potential and our connection with some of the major online entertainment platforms and TV and media networks in the Asia Pacific region, we were able to help these series reach a broad and diverse audience base in the Asia Pacific region and other countries during the Track Record Period. As at the Latest Practicable Date, the media content we distributed was able to reach viewers in the PRC, Hong Kong, Macau, Taiwan, the Philippines, Singapore, Thailand, Malaysia, Indonesia, India, Brunei and other countries. Since our establishment in 2000 and up to the Latest Practicable Date, we had distributed hit animation series including “Cardcaptor Sakura”, “City Hunter”, “Fullmetal Alchemist”, “INITIAL D”, “Mobile Suit Gundam Wing”, “Pleasant Goat and Big Big Wolf”, “Ultraman Tiga” and “Yu-Gi-Oh!” and live-action series, “Coffee Prince”, “It Started with a Kiss”, “Meteor Garden”, “My Girl” and “The Prince Who Turns Into a Frog”.

SUMMARY

Leveraging our strong experience in our Media Content Distribution Business, our Group also engages in the Brand Licensing Business, where we are involved in the licensing of various rights in relation to brands owned by brand licensors including certain merchandising rights, for the use in toys, apparels and footwear, health and beauty products, food and beverage; location-based entertainment rights for events, theme parks, shopping malls, cafes and restaurants; and promotion rights in the Asia Pacific region. Under our Brand Licensing Business, we (i) source various rights of brands directly from the licensors and sub-license such rights directly to our customers, or (ii) serve as an agent for certain brand licensors to, among others, help them identify, and negotiate licensing terms with, the potential customers.

On 27 August 2018, Ms. Lovinia Chiu, our Controlling Shareholder, entered into a sale and purchase agreement with Ms. Noletta Chiu, a Director and a sister of the Controlling Shareholder, to acquire remaining 50% shareholding interest in MAIL for consideration of HK\$20.0 million and the transaction was completed on the same date. The MAIL Acquisition was made as part of our Group's strategy to expand our Brand Licensing Business. Upon completion of the MAIL Acquisition, we, through MAIL, were involved in the licensing of renowned brands such as "Le Petit Prince", "MONOPOLY", "Moomin", "Mr. Men Little Miss", "PJ Masks" and "TRANSFORMERS". MAIL contributed approximately HK\$10.1 million to our Group's revenue and HK\$2.3 million to our combined profit for the seven months ended 31 October 2018.

OUR BUSINESS MODEL

We distribute media content from media content licensors in the Asia Pacific region. Under our Media Content Distribution Business, we obtain rights to use, and rights to sub-license the use of, the media content from the media content licensors through entering into content distribution agreements with them and distribute these media content to our customers through entering into content sub-licensing agreements with them.

Under our Media Content Distribution Business, we focus on cooperating closely with the media content licensors through entering into content distribution arrangements with them and are capable of distributing media content relating to animation series, variety shows, drama series and animated/live-action feature films to our customers through entering into content sub-licensing arrangements with them.

In addition, we engage in the Brand Licensing Business where we obtain various rights to use the third-party owned brands including certain merchandising rights, location-based entertainment rights and promotion rights, and sub-license the use of these brands to our customers through entering into sub-licensing arrangements with them. Under our Brand Licensing Business, we also enter into brand agency agreements with some of the brand licensors to act as an agent for them. We generally identify sub-licensees such as manufacturers/distributors of different product categories including toys, apparels and footwear, health and beauty products, food and beverage, and other sub-licensees for events, theme parks, shopping malls, cafes and restaurants in the Asia Pacific region.

During the Track Record Period and up to the Latest Practicable Date, we were also involved in co-investment in the production of Japanese animation series.

SUMMARY

Our suppliers and customers

During the Track Record Period and up to the Latest Practicable Date, our major suppliers primarily included our media content licensors. As at the Latest Practicable Date, we had established relationships with our five largest suppliers for the Track Record Period for periods ranging between two and 17 years. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, purchases from our five largest suppliers were approximately HK\$69.8 million, HK\$109.8 million, HK\$106.4 million and HK\$143.4 million, respectively, which accounted for approximately 67.8%, 67.1%, 61.9% and 65.6% of our total purchases, respectively during the same periods. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their respective close associates, or any Shareholder (who, to the knowledge of our Directors, owned more than 5% of our issued capital as at the Latest Practicable Date), held any interest in any of our five largest suppliers for the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our major customers primarily included operators of online media platforms and media networks, and our other customers under our Brand Licensing Business mainly included some brand licensors (where we acted as their agent) and sub-licensees such as manufacturers/distributors of different product categories including toys, apparels and footwear, health and beauty products, food and beverage, and other sub-licensees involving events, theme parks, shopping malls, cafes and restaurants in the Asia Pacific region.

For the three years ended 31 March 2018 and the seven months ended 31 October 2018, the revenue attributable to our five largest customers was approximately HK\$104.8 million, HK\$182.0 million, HK\$252.7 million and HK\$289.2 million, respectively, which accounted for approximately 61.2%, 69.0%, 80.5% and 82.2%, of our total revenue for the same periods. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their respective close associates, or any Shareholder (who, to the knowledge of our Directors, owned more than 5% of our issued capital as at the Latest Practicable Date), held any interest in any of our five largest customers for the Track Record Period.

See “Business – Our suppliers” and “Business – Our customers” in this prospectus for further details on our suppliers and customers.

OUR COMPETITIVE STRENGTHS

We believe that the following principal strengths are crucial to our success and essential for our future growth: (i) we have strong standing relationships with media content licensors; (ii) our broad portfolio of media content enables us to offer a wide selection of different content to satisfy customers’ preferences and tastes; (iii) we have established a broad and extensive content distribution network with some of the reputable media platforms; (iv) we play a key role as a distributor of media content capable of providing one-stop distribution services to our customers; and (v) we have an experienced senior management team with comprehensive industry and market knowledge and a proven track record. See “Business – Our competitive strengths” in this prospectus for further details.

SUMMARY

OUR BUSINESS STRATEGIES

We aim to strengthen our market position in our industry through the following strategies: (i) enrich and expand our media content offering to stay abreast of evolving viewer preferences; (ii) enhance our position in existing markets and strategically expand into other selected markets; (iii) expand our Brand Licensing Business by increasing our brand offerings; (iv) introduce media content and brands created in Hong Kong to international audience; (v) invest in the production of animated/live-action media content; (vi) replicate our success in our proprietary “Ani-One” brand and seek further opportunities to develop our Media Content Distribution Business; and (vii) relocate our Hong Kong office and continue to recruit talents to support our business growth in our Hong Kong and the PRC/overseas offices. See “Business – Our business strategies” in this prospectus for further details.

RISK FACTORS

Our business is subject to a number of risks and there are risks relating to an investment in the Offer Shares. We believe that the following are some of the major risks that may have a material adverse effect on our business.

- (i) If we fail to source high-quality, popular media content from media content licensors upon terms acceptable to us or if there is any loss or deterioration of relationship with our media content licensors, our business may be materially and adversely affected.
- (ii) If we fail to identify sufficient or suitable customers for our licensed media content, our business performance, results of operations and financial condition may be materially and adversely affected.
- (iii) If we fail to identify the market trend and our licensed media content fail to compete successfully with other media content, our business performance, results of operations and financial condition may be materially and adversely affected.
- (iv) Any imposition of additional or more stringent laws or regulations on the distribution of media content by the PRC government or governments of other regions may result in an adverse effect on our results of operations.
- (v) We mainly derived our revenue in the PRC during the Track Record Period and changes in the PRC market or economic conditions could adversely affect our results of operations.
- (vi) Distribution of our licensed media content on the internet may be found objectionable by the PRC regulatory authorities and affect our results of operations.
- (vii) We generated a substantial portion of our revenue from our five largest customers during the Track Record Period and any loss or deterioration of relationship with them may affect our business.

You should read “Risk factors” in this prospectus carefully before making any investment decision in the Global Offering.

SUMMARY

COMPETITIVE LANDSCAPE

Japanese animation content distribution market: According to the Frost & Sullivan Report, in terms of revenue, the top three players together accounted for approximately 34.9% of the Japanese animation content distribution market in the PRC in 2017. According to the Frost & Sullivan Report, our Company led the market and ranked number one among Japanese animation distributors in the PRC in terms of revenue in 2017, accounting for approximately 14.1% of the total market in the PRC.

Entertainment and character IP licensing market: According to the Frost & Sullivan Report, at the end of 2017, there were approximately over 300 active IP licensors in the entertainment and character IP licensing market of the PRC. However, the number of licensing distributors was less than 100 due to shorter development history. Currently, entertainment/character is the major IP type in the PRC's entertainment and character IP licensing market, among which animation and comics characters are the most popular licensed category for licensing distributors in the PRC.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

Highlight of combined statements of profit or loss and other comprehensive income

The following table summarises the combined statements of profit or loss from our financial statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Revenue	171,091	100.0	263,823	100.0	313,876	100.0	176,628	100.0	352,076	100.0
Cost of sales	(91,398)	(53.4)	(137,991)	(52.3)	(156,910)	(50.0)	(88,179)	(49.9)	(183,417)	(52.1)
Gross profit	79,693	46.6	125,832	47.7	156,966	50.0	88,449	50.1	168,659	47.9
Other income and gains	5,114	3.0	5,429	2.1	17,541	5.6	8,581	4.8	4,701	1.3
Selling and distribution expenses	(21,128)	(12.3)	(34,669)	(13.1)	(43,959)	(14.0)	(26,424)	(15.0)	(31,454)	(8.9)
General and administrative expenses	(12,252)	(7.2)	(17,071)	(6.5)	(24,869)	(7.9)	(13,293)	(7.5)	(21,653)	(6.1)
Other expenses, net	(6,777)	(4.0)	(16,828)	(6.4)	133	–	–	–	(2,421)	(0.7)
Profit before income tax	44,650	26.1	62,693	23.8	105,812	33.7	57,313	32.4	117,832	33.5
Income tax expense	(9,306)	(5.4)	(9,116)	(3.5)	(11,977)	(3.8)	(8,850)	(5.0)	(20,765)	(5.9)
Profit for the year/period	35,344	20.7	53,577	20.3	93,835	29.9	48,463	27.4	97,067	27.6

SUMMARY

Revenue

Our revenue represented income from (i) our Media Content Distribution Business; and (ii) Brand Licensing Business. The following table sets out our revenue by business segment for the periods indicated:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							<i>(unaudited)</i>			
Media Content Distribution Business	147,946	86.5	234,062	88.7	291,122	92.8	162,506	92.0	327,394	93.0
Brand Licensing Business	23,145	13.5	29,761	11.3	22,754	7.2	14,122	8.0	24,682	7.0
Total	171,091	100.0	263,823	100.0	313,876	100.0	176,628	100.0	352,076	100.0

Our revenue increased by approximately HK\$92.7 million or 54.2% from approximately HK\$171.1 million for the year ended 31 March 2016 to approximately HK\$263.8 million for the year ended 31 March 2017 primarily resulting from both the increase in revenue from (i) our Media Content Distribution Business which was attributable to the increase in revenue from our top five revenue-generating titles of media content. Such increase was mainly led by the relatively higher revenue generated from an animation series serialised from a well-received Japanese manga series; and (ii) our Brand Licensing Business which was primarily due to (a) the increase in the number of sub-licensees for the sub-licensing of a character in a Japanese anime and (b) the increase in our revenue from sub-licensing of brands by approximately HK\$1.3 million as we had sub-licensed our brands to sub-licensees for organising more promotional events for the year ended 31 March 2017.

Our revenue increased by approximately HK\$50.1 million or 19.0% from approximately HK\$263.8 million for the year ended 31 March 2017 to approximately HK\$313.9 million for the year ended 31 March 2018 primarily due to the increase in revenue from our Media Content Distribution Business by approximately HK\$57.0 million or 24.2% from approximately HK\$234.1 million for the year ended 31 March 2017 to approximately HK\$291.1 million for the year ended 31 March 2018. The increase in revenue from our Media Content Distribution Business was primarily due to the increase in the number of active titles distributed which was primarily led by the increase in demand in the PRC. The increase in revenue was partially offset by the decrease in the revenue from our Brand Licensing Business from approximately HK\$29.8 million for the year ended 31 March 2017 to approximately HK\$22.8 million for the year ended 31 March 2018 primarily due to the decrease in the number of sub-licensees for a Japanese anime following the decline in popularity of such Japanese anime which was released in 2014.

SUMMARY

Our revenue increased by approximately HK\$175.5 million or 99.4% from approximately HK\$176.6 million for the seven months ended 31 October 2017 to approximately HK\$352.1 million for the seven months ended 31 October 2018 primarily due to the increase in revenue from our Media Content Distribution Business by approximately HK\$164.9 million or 101.5% from approximately HK\$162.5 million for the seven months ended 31 October 2017 to approximately HK\$327.4 million for the seven months ended 31 October 2018. Such increase was primarily due to the increase in the number of active titles distributed which was primarily led by the increase in demand in the PRC and the US and the increase in the average price per title distributed by our Group for the seven months ended 31 October 2018.

The following table sets out our revenue by geographic location for the periods indicated:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
The PRC	107,470	62.8	186,173	70.6	244,099	77.7	137,034	77.6	279,819	79.5
Hong Kong	20,419	11.9	17,761	6.7	21,820	7.0	11,653	6.6	15,857	4.5
US	7,705	4.5	20,862	7.9	15,883	5.1	7,697	4.4	25,024	7.1
Taiwan	8,835	5.2	12,246	4.6	10,468	3.3	6,953	3.9	4,299	1.2
Southeast Asian countries										
Thailand	11,308	6.6	8,461	3.2	5,904	1.9	5,360	3.0	3,547	1.0
Other Southeast Asian countries ⁽¹⁾	9,864	5.8	4,958	1.9	9,140	2.9	3,283	1.9	16,263	4.6
Sub-total	21,172	12.4	13,419	5.1	15,044	4.8	8,643	4.9	19,810	5.6
Others ⁽²⁾	5,490	3.2	13,362	5.1	6,562	2.1	4,648	2.6	7,267	2.1
Total	171,091	100.0	263,823	100.0	313,876	100.0	176,628	100.0	352,076	100.0

Notes:

(1) Other Southeast Asian countries included the Philippines, Singapore, Malaysia and Vietnam.

(2) Others included Japan, Hungary, Spain and other countries.

For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our revenue from the PRC amounted to approximately HK\$107.5 million, HK\$186.2 million, HK\$244.1 million and HK\$279.8 million, respectively representing approximately 62.8%, 70.6%, 77.7% and 79.5% of our total revenue. According to the Frost & Sullivan Report, the growth in the PRC media content distribution market was mainly due to the increase in demand for Japanese animation content in the PRC.

Revenue recognition policy for our Media Content Distribution Business and the relationships between our licensed assets, minimum guarantee payment, cost of sales and the related cash flows

Our licensed assets as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 October 2018 mainly represented the minimum guarantee we paid to our media content licensors. Upon

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signing of the content distribution agreements with our licensors, we are normally required to make advance payment or minimum guarantee payment to them subject to the terms of the individual content distribution agreements entered into between the media content licensors and us. Such minimum guarantee will be recognised as our licensed assets. The amount of minimum guarantee is usually non-refundable but recoupable or shall be applied to set off against the royalty payable by us under the content distribution agreements. Our Group experiences a mismatch in timing between receipt of payment from our customers and settlement of our advance payment/minimum guarantee payment due to our media content licensors from time to time. We have substantial cash requirements for funding our business operations as we are normally required to make advance payment or minimum guarantee payment to our media content licensors in order to obtain media content licensing rights. As a result, a substantial amount of advance cash payment is usually required to be made to our licensors before we generate any revenue from our customers. See “Risk factors – We experience a mismatch in timing between receipt of payment from our customers and settlement of our advance payment or minimum guarantee due to our media content licensors in this prospectus for details. If such mismatch is substantial, we may not have sufficient cash for making advance payment or payment of minimum guarantee to obtain licensing rights for new media content” in this prospectus for further details.

The amount of minimum guarantee we are required to pay for each media content varies depending on the popularity, exclusivity, content type and revenue projection of the media content. If we fail to recoup our minimum guarantee paid, our licensed assets may be subject to write-down. See “Risk factors – If we fail to recoup the minimum guarantee paid by us to the media content licensors, our licensed assets may be subject to further write-down” in this prospectus for details.

Generally, after confirming the contract terms with our customers, our Group will enter into content sub-licensing agreements with our customers for various licensing rights in certain territories and issue invoices to them. Our revenue from distribution of licensed media content is recognised at the point in time when all the following criteria are met: (i) persuasive evidence of a sub-licensing arrangement with a customer exists; (ii) the media content has been delivered or has been made available for our customer’s right to use and there is no requirement for significant continued performance by our Group; (iii) the sub-licensing period of the arrangement has begun and our customer can begin its exploitation of the media content; and (iv) collectability of the sub-licensing fee is reasonably assured.

Upon the recognition of revenue, we are required to pay royalty, which is recognised as cost of sales, to our licensors according to the agreed royalty rate under the content distribution agreements. The balance of our licensed assets, being the amount of unrecovered minimum guarantee, will decrease by the amount of such royalty payable. When the cumulative royalty payable exceeds the minimum guarantee which we paid initially, we will recognise the amount as cost of sales with a corresponding increase in our trade payables.

Our content sub-licensing agreements with our customers generally comprise two to four payment milestones and our customers are generally required to settle our invoices within 30 to 45 working days after the respective payment milestones have been reached.

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Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by segment for the periods indicated:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Media Content										
Distribution Business										
- Distribution of licensed media content	62,260	43.0	105,987	45.3	137,532	47.9	75,635	47.3	153,873	47.2
- Theatrical release income	2,570	85.8	32	100.0	3,424	80.4	2,188	87.9	1,125	81.7
Sub-total	64,830	43.8	106,019	45.3	140,956	48.4	77,823	47.9	154,998	47.3
Brand Licensing Business										
- Sub-licensing of brands	9,126	54.6	12,721	58.1	7,439	54.9	6,221	65.0	5,760	35.8
- Provision of licensing agency services	5,640	90.9	6,903	92.1	8,437	93.7	4,266	96.7	7,444	93.5
- Sales of merchandise	97	44.1	189	51.8	134	63.8	139	95.9	457	73.7
Sub-total	14,863	64.2	19,813	66.6	16,010	70.4	10,626	75.2	13,661	55.3
Total	79,693	46.6	125,832	47.7	156,966	50.0	88,449	50.1	168,659	47.9

For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our gross profit amounted to HK\$79.7 million, HK\$125.8 million, HK\$157.0 million and HK\$168.7 million, respectively, while the respective gross profit margin were 46.6%, 47.7%, 50.0% and 47.9% for the same periods. Our gross profit margin is susceptible to the mix of the royalty rates agreed with (i) media content licensors for our Media Content Distribution Business; and (ii) brand licensors for our Brand Licensing Business.

The gross profit margin of our Brand Licensing Business for the seven months ended 31 October 2018 was lower compared to the same period in 2017 as a result of the decrease in revenue generated from the sub-licensing of the character in a Japanese anime. The gross profit margin of sub-licensing the character of this Japanese anime was relatively higher compared with the other Japanese anime and brands sub-licensed by us. Following the decline in popularity of such Japanese anime which was released in 2014, the revenue generated from sub-licensing of the character of this Japanese anime declined for the seven months ended 31 October 2018.

See “Financial information – Review of historical results of operation” in this prospectus for further details of the fluctuations of our historical results of operations.

SUMMARY

Highlights of combined statements of financial positions

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	12,753	10,622	18,979	53,531
Current assets	240,812	338,201	407,074	569,591
Non-current liabilities	–	–	–	1,214
Current liabilities	147,249	193,581	228,349	289,633
Net current assets	93,563	144,620	178,725	279,958
Total equity	106,316	155,242	197,704	332,275

Highlights of combined statement of cash flows

	For the year ended 31 March			For the seven months ended 31 October	
	2016	2017	2018	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Operating cash flows before movements in working capital	52,983	73,320	108,179	58,405	127,809
Net cash flows from/(used in) operating activities	(22,431)	42,479	91,236	6,373	64,654
Net cash flows from/(used in) investing activities	(1,488)	(972)	(142)	(56)	20,178
Net cash flows used in financing activities	(13,373)	(2,391)	(48,995)	267	(86,413)
Net increase/(decrease) in cash and cash equivalents	(37,292)	39,116	42,099	6,584	(1,581)
Cash and cash equivalents at beginning of year/period	126,419	89,162	128,680	128,680	169,067
Effect of foreign exchange rate changes, net	35	402	(1,712)	(423)	(384)
Cash and cash equivalents at end of year/period	89,162	128,680	169,067	134,841	167,102

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Our Group had net cash used in operating activities of approximately HK\$22.4 million for the year ended 31 March 2016 and net cash flows from operating activities of approximately HK\$42.5 million, HK\$91.2 million and HK\$64.7 million for the two years ended 31 March 2018 and the seven months ended 31 October 2018 respectively.

Our net cash used in operating activities of approximately HK\$22.4 million for the year ended 31 March 2016 was primarily resulted from the profit before tax of approximately HK\$44.7 million and increase in contract liabilities of approximately HK\$7.7 million due to advances received from our customers, offset by (i) an increase in acquisition of licensed assets of approximately HK\$29.8 million to cater for our business needs; (ii) an increase in our trade receivables of approximately HK\$23.9 million; and (iii) income tax paid of approximately HK\$22.0 million.

Key financial ratios

	For the year ended/as at 31 March			For the seven months ended/as at 31 October	
	2016	2017	2018	2017	2018
Profitability ratios					
Gross profit margin (%)	46.6	47.7	50.0	50.1	47.9
Net profit margin (%)	20.7	20.3	29.9	27.4	27.6
Return on equity (%)	33.2	34.5	47.5	N/A	49.8
Return on total assets (%)	13.9	15.4	22.0	N/A	26.6
Liquidity ratio					
Current ratio	1.6	1.7	1.8	N/A	2.0
Capital adequacy ratios					
Gearing ratio	N/A	N/A	N/A	N/A	N/A
Debt to equity ratio	N/A	N/A	N/A	N/A	N/A

See “Financial information – Key financial ratios” in this prospectus for details on the calculation of the above financial ratios.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.49, being the mid-point of the indicative Offer Price Range, we estimate that we will receive net proceeds of approximately HK\$205.2 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering if the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes:

- (i) approximately 54.8%, or HK\$112.4 million, will be used to settle the advance payment/minimum guarantee payment for obtaining licensing rights of new media content in order to strengthen our media content portfolio in our Media Content Distribution Business;
- (ii) approximately 17.5%, or HK\$36.0 million, will be used to settle the advance payment/minimum guarantee payment for obtaining new licensing rights of brands in order to cope with the expansion of our Brand Licensing Business;

SUMMARY

- (iii) approximately 6.9%, or HK\$14.2 million, will be used for relocation and renovation of our Hong Kong office and upgrading our information technology equipment to facilitate our expansion;
- (iv) approximately 9.5%, or HK\$19.5 million, will be used for co-investment in the production of media content;
- (v) approximately 4.7%, or HK\$9.6 million, will be used for expanding our media content team, brand licensing team and expanding our workforce and enhancing back office support in our Hong Kong headquarter and overseas offices; and
- (vi) approximately 6.6%, or HK\$13.5 million, will be used for our general working capital purposes.

Reasons for the Listing

Our Directors believe that the Listing could support and fuel our long-term business strategies and business expansion and provide benefits to our Group by:

- enabling our Group to capture market opportunities to further expand our Group's Media Content Distribution Business;
- enabling our Group to expand our Brand Licensing Business by increasing our brand offering;
- helping our Group raise funds to meet our capital requirements for future growth and expansion plans and gain access to capital market;
- enhancing our profile, visibility and our market presence;
- enhancing our operational efficiency and corporate governance; and
- enhancing employee incentive and commitment.

For details, see "Future plans and use of proceeds" in this prospectus.

LISTING EXPENSES

Total expenses in relation to the Listing amounted to approximately HK\$38.8 million. During the Track Record Period, we incurred Listing expenses of approximately HK\$7.0 million. For the year ended 31 March 2019 and the year ending 31 March 2020, we expect to recognise HK\$19.2 million and HK\$4.8 million, respectively in our combined statements of profit or loss, and approximately HK\$14.8 million as a deduction in equity upon the Listing. See "Financial information – Listing expenses" in this prospectus for further details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

We have continued to focus on our businesses of Media Content Distribution Business and Brand Licensing Business after the Track Record Period. After the Track Record Period and up to the Latest Practicable Date, we had been granted rights to sub-licence 47 titles of media content; and granted rights to sub-licence and/or entered into agency arrangements with 12 brands.

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We estimate that our net profit for the year ended 31 March 2019 would be slightly higher than that for the seven months ended 31 October 2018 by approximately 3.3%, which is mainly due to the following reasons:

- (i) we experienced a substantial growth in our revenue during the seven months ended 31 October 2018. Our revenue increased by approximately HK\$175.5 million or 99.4% from approximately HK\$176.6 million for the seven months ended 31 October 2017 to approximately HK\$352.1 million for the seven months ended 31 October 2018. Such substantial growth was primarily resulted from the revenue generated from our release of the new season of an animation series in April 2018 following the success of its previous seasons which were aired in 2017. As such animation series was delivered and most of the revenue arising from it was recognised during the seven months ended 31 October 2018, our average monthly revenue for the seven months ended 31 October 2018 was higher than our estimated monthly revenue for the five months ended 31 March 2019;
- (ii) we expect to recognise Listing expenses of approximately HK\$12.2 million during the five months ended 31 March 2019 while we recognised Listing expenses of approximately HK\$7.0 million during the seven months ended 31 October 2018; and
- (iii) we agreed to grant our Directors and certain members of our senior management a total amount of special and discretionary bonuses of approximately HK\$10.0 million during the five months ended 31 March 2019 as a reward to their effort and performance for the year ended 31 March 2019. No such bonus was considered and granted for the year ended 31 March 2018.

Nonetheless, our estimated consolidated profit attributable to owners of our Company for the year ended 31 March 2019 followed an increasing trend with a slight increase of approximately 6.8% when compared to the profit attributable to owners of our Company for the year ended 31 March 2018 and was significantly higher than the profit attributable to owners of our Company for each of the two years ended 31 March 2017.

Furthermore, in the first quarter of 2019, our Group had entered into contracts with aggregate contract sums of over HK\$70 million with our customers.

On 23 November 2018, our subsidiaries declared interim dividends of HK\$72.5 million to their then shareholder and the payment of which was made on 25 March 2019.

To the best information and knowledge of our Directors, there had been no material changes in general economic and market condition of the Media Content Distribution Business and the Brand Licensing industry which would materially and adversely affect the business operation, the results of operations or financial conditions of our Group after 31 October 2018 and up to the date of this prospectus. Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since 31 October 2018, and there is no event since 31 October 2018 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

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OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, RLA will hold 75% of the issued share capital of our Company. RLA is wholly owned by Ms. Lovinia Chiu, the chairman of our Board, an executive Director, and chief executive officer of our Company. Therefore RLA and Ms. Lovinia Chiu are considered as our Controlling Shareholders after the Global Offering. For more details, see “Relationship with Controlling Shareholders” in this prospectus.

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK\$0.45	Based on an Offer Price of HK\$0.53
Market capitalisation of the Shares ⁽¹⁾	HK\$896.40 million	HK\$1,055.76 million
Unaudited pro forma adjusted combined net tangible assets per Share ^{(1), (2) and (3)}	HK\$0.24	HK\$0.26

Notes:

- (1) The calculation is based on 1,992,000,000 Shares in issue immediately following the completion of the Global Offering without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option.
- (2) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to in “Appendix II – Unaudited pro forma financial information – A. Unaudited pro forma statement of adjusted combined net tangible assets” in this prospectus.
- (3) The unaudited pro forma adjusted combined net tangible assets attributable to owner of the parent does not take into account interim dividends of HK\$72.5 million declared by certain subsidiaries on 23 November 2018 and paid on 25 March 2019. Had the dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group per Share would have been HK\$0.20 and HK\$0.22 at the Offer Price of HK\$0.45 and HK\$0.53, respectively, which is calculated based on 1,992,000,000 Shares in issue immediately following the Global Offering.

DIVIDEND

During the Track Record Period, no dividend had been paid or declared by our Company. The dividends declared by our subsidiaries to their then shareholders, amounting to nil, HK\$5.0 million, HK\$50.0 and nil for the three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively, were fully paid as at the Latest Practicable Date. On 23 November 2018, our subsidiaries declared interim dividends of HK\$72.5 million to their then shareholder and the payment of such dividends was made on 25 March 2019.

After Listing, the declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders and we currently do not have any pre-determined dividend payout ratio. Our Directors may recommend a payment of dividends in the future after taking

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into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. See "Financial information – Dividend" and "Risk factors – Risks relating to the Global Offering – Historical dividends may not be indicative of our future dividend policy and we may not be able to pay any dividends on our Shares" in this prospectus for further details.

REGULATORY COMPLIANCE

Further information in relation to our non-compliance incident is set out in "Business – Legal and compliance – Non-compliance incidents" in this prospectus, which relates to section 51(2) and 80(2) of the IRO. Our Directors do not consider that such incident has any adverse impact on our business.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2019

We have prepared the following profit estimate for the year ended 31 March 2019.

Estimated consolidated profit attributable to owners of our Company.....	Not less than HK\$100.3 million
-----------------------------------------------------------------------------	---------------------------------

The profit estimate, for which our Directors are solely responsible, has been prepared by them based on (i) the audited combined results of our Group for the seven months ended 31 October 2018; (ii) the unaudited consolidated results based on the management accounts of our Group for the three months ended 31 January 2019; and (iii) an estimate of the consolidated results of our Group for the remaining two months ended 31 March 2019.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Alibaba”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and listed on the New York Stock Exchange (NYSE:BABA)
“Alibaba Group”	Alibaba and its subsidiaries
“Application Form(s)”	the WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them
“Application Lists”	the application lists for the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 12 April 2019 and effective on the Listing Date, as amended or supplemented from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board” or “Board of Directors”	the board of directors of our Company
“Brand Licensing Business”	business of licensing of brands by (i) sub-licensing various rights to use the brands granted by brand licensors and (ii) acting as the agent for the brand licensors to, among others, identify potential licensees for these brand licensors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

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“Capitalisation Issue”	the issue of 1,493,999,999 Shares to be made upon capitalisation of an amount of HK\$14,939,999.99 standing to the credit of the share premium account of our Company
“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 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
“close associate”	has the meaning ascribed to it under the Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Laws, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “our Company”, “we” or “us”	MEDIALINK GROUP LIMITED, an exempted company incorporated in the Cayman Islands with limited liability on 29 October 2018 and references to “we”, “us” or “our” refer to our Group or, where the context requires, our Company
“connected person”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and in the context of our Company, means Ms. Lovinia Chiu and RLA
“core connected person”	has the meaning ascribed thereto under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 25 April 2019 executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in “Appendix V – Statutory and general information – D. Other information – 2. Indemnity” in this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 25 April 2019 executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in “Relationship with Controlling Shareholders – Deed of Non-Competition” in this prospectus
“Director(s)” or “our Director(s)”	the director(s) of our Company
“EIT”	the PRC enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law
“EIT Regulations”	the Regulation on the Implementation of the EIT Law
“Eligible Applicants”	applicants who have made valid applications for the Hong Kong Offer Shares
“Frost & Sullivan”	Frost & Sullivan International Limited, an independent consulting firm that provides market research and analysis
“Frost & Sullivan Report”	a market research report commissioned by us and prepared by Frost & Sullivan, see “Industry overview” in this prospectus for further information
“Global Offering”	the Hong Kong Public Offering and the International Placing
“ GREEN Application Form(s)”	the Application Form(s) to be completed by the HK eIPO White Form Service Provider

DEFINITIONS

“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$”, “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application of Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company as specified on the designated website at www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards
“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”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our branch share registrar and transfer agent in Hong Kong
“Hong Kong Government”	the government of Hong Kong Special Administrative Region of the PRC
“Hong Kong Legal Counsel”	Ms. Yvonne Fong, a barrister-at-law in Hong Kong
“Hong Kong Offer Shares”	49,800,000 new Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offering subject to adjustment as described in “Structure of the Global Offering” in this prospectus

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“Hong Kong Public Offering”	the offer by us of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in “Structure of the Global Offering” in this prospectus
“Hong Kong Underwriters”	the underwriters listed in “Underwriting – Hong Kong Underwriters”, being the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 29 April 2019 relating to the Hong Kong Public Offering entered into by our Company, our Controlling Shareholders, the Sole Sponsor and the Hong Kong Underwriters, as further described in “Underwriting” in this prospectus
“Independent Third Party(ies)”	a party or parties that is or are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive, substantial shareholders of our Company, our subsidiaries or any of their respective associates
“International Placing”	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of our Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in “Structure of the Global Offering” in this prospectus
“International Placing Shares”	448,200,000 new Shares being initially offered by us for subscription pursuant to the International Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“International Underwriters”	the underwriters for the International Placing who are expected to enter into the International Underwriting Agreement

DEFINITIONS

“International Underwriting Agreement”	the underwriting agreement relating to the International Placing to be entered into by, among others, our Company and the International Underwriters on or about the Price Determination Date, as further described in “Underwriting” in this prospectus
“iQIYI”	iQIYI, Inc., a company established in the Cayman Islands and listed on NASDAQ (NASDAQ:IQ)
“iQIYI Group”	iQIYI and its subsidiaries
“IRD”	the Inland Revenue Department of Hong Kong
“IRO”	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended or supplemented from time to time
“Joint Bookrunners” and “Joint Lead Managers”	Guotai Junan Securities and China Industrial Securities International Capital Limited
“JPY”	Japanese Yen, the lawful currency of Japan
“Kadokawa”	Kadokawa Corporation, a company incorporated in Japan. Kadokawa Corporation is a subsidiary of a company listed on the Tokyo Stock Exchange
“Kadokawa Group”	Kadokawa and its subsidiaries
“Latest Practicable Date”	22 April 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or around Tuesday, 21 May 2019, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“MAIL”	Medialink Animation International Limited, a company incorporated in Hong Kong on 11 August 2000 with limited liability
“MAIL Acquisition”	acquisition of the remaining 50% shareholding interest in MAIL by Ms. Lovinia Chiu, completion of which took place on 27 August 2018
“Main Board”	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“MAL”	Medialink (Asia) Limited, a company incorporated in Samoa on 2 October 2009 with limited liability and a wholly owned subsidiary of our Company
“MALTW”	薩摩亞商羚邦(亞洲)有限公司台灣分公司 (Medialink (Asia) Limited Taiwan Branch*), established as a branch of MAL in Taiwan on 4 June 2010
“Media Content Distribution Business”	business of distribution of media content by sub-licensing various rights to exploit the media content granted by the media content licensors and co-investment in the production of media content
“MEHL”	MEDIALINK ENTERTAINMENT HOLDINGS LIMITED 羚邦娛樂控股有限公司, a company incorporated in the BVI on 13 November 2018 with limited liability and a wholly owned subsidiary of our Company
“MEL”	Medialink Entertainment Limited, a company incorporated in Hong Kong on 13 October 2000 with limited liability and a wholly owned subsidiary of our Company

DEFINITIONS

“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, conditionally adopted on 12 April 2019, as amended, supplemented or otherwise modified from time to time
“MFE”	Medialink (Far East) Limited, a company incorporated in Hong Kong on 11 July 2001 with limited liability and a wholly owned subsidiary of our Company
“MHL”	Medialink Holdings Limited, a company incorporated in Hong Kong on 29 July 2016 with limited liability and a wholly owned subsidiary of our Company
“MIHL”	MEDIALINK INVESTMENT HOLDINGS LIMITED 羚邦投資控股有限公司, a company incorporated in the BVI on 13 November 2018 with limited liability and a wholly owned subsidiary of our Company
“MLHL”	MEDIALINK LICENSING HOLDINGS LIMITED 羚邦授權控股有限公司, a company incorporated in the BVI on 13 November 2018 with limited liability and a wholly owned subsidiary of our Company
“MPL”	Medialink Pacific Limited, a company incorporated in the BVI on 27 September 2000 with limited liability and a wholly owned subsidiary of our Company
“Ms. Barbara Chiu”	Ms. Chiu Siu Ling Barbara, a member of our senior management and the sister of Ms. Lovinia Chiu
“Ms. Lovinia Chiu”	Ms. Chiu Siu Yin, Lovinia, the chairman of our Board, an executive Director and chief executive officer of our Company, our Controlling Shareholder, and the sister of Ms. Noletta Chiu
“Ms. Noletta Chiu”	Ms. Chiu Siu Fung, Noletta, our executive Director and the sister of Ms. Lovinia Chiu
“MSG”	Medialink Brand Management Pte Ltd., an exempt private company limited by shares incorporated in Singapore on 21 August 2006 and a wholly owned subsidiary of our Company

DEFINITIONS

“MSH”	羚邦星藝文化發展(上海)有限公司 (Medialink (Shanghai) Co., Limited*), a company established in the PRC on 14 September 2012 with limited liability and a wholly owned subsidiary of our Company
“MSHBJ”	羚邦星藝文化發展(上海)有限公司北京分公司 (Medialink (Shanghai) Co., Limited Beijing Branch*), established as a branch of MSH in Beijing on 11 March 2014
“MYR”	Malaysian Ringgit, the lawful currency of Malaysia
“myTV SUPER”	a media platform operated by TVB Group
“Nomination Committee”	the nomination committee of our Board
“Offer Price Range”	HK\$0.45 to HK\$0.53 per Offer Share
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by us to the International Underwriters under the International Underwriting Agreement, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to 74,700,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to, among other things, cover over-allocations in the International Placing, if any, as further described in “Structure of the Global Offering” in this prospectus
“PRC” or “China”	The People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to “China” and the “PRC” do not include Hong Kong, Macau and Taiwan
“PRC government” or “Chinese government”	central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)

DEFINITIONS

“PRC Legal Advisers”	Beijing Dentons Law Offices, LLP (Shenzhen), the legal advisers to our Company as to the PRC law
“Price Determination Date”	the date expected to be on or around Friday, 10 May 2019, but no later than Friday, 17 May 2019, on which the Offer Price is fixed for the purpose of the Global Offering
“Principal Share Registrar”	Walkers Corporate Limited
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the reorganisation of our Group in preparation for the Listing
“RLA”	RLA Company Limited, a company incorporated in the BVI with limited liability on 23 October 2018, which is one of our Controlling Shareholders and wholly owned by Ms. Lovinia Chiu
“RMB”	Renminbi, the lawful currency of the PRC
“Rp”	Indonesian rupiah, the lawful currency of Indonesia
“RSM” or “Tax Adviser”	RSM Tax Advisory (Hong Kong) Limited, the tax adviser to our Company
“SAFE”	中華人民共和國國家外匯管理局 (State Administration of Foreign Exchange of the PRC*)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“SGD”	Singapore dollar, the lawful currency of Singapore
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Shares

DEFINITIONS

“Singapore Legal Advisers”	Shook Lin & Bok LLP, the legal advisers to our Company as to Singapore law
“Sole Global Coordinator” or “Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Sole Sponsor”	Guotai Junan Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO
“Stabilising Manager”	Guotai Junan Securities
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Sole Global Coordinator and RLA on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Track Record Period”	the three years ended 31 March 2018 and the seven months ended 31 October 2018
“TVB”	Television Broadcasts Limited, a company incorporated in Hong Kong and listed on the Stock Exchange (stock code: 511)
“TVB Group”	TVB and its subsidiaries
“TWD”	Taiwan New Dollar, the lawful currency of Taiwan
“Underwriters”	the Hong Kong Underwriters and the international Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.K.”, “UK” or “United Kingdom”	the United Kingdom

DEFINITIONS

“U.S.”, “US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“U.S. Securities Act”	the United States Securities Act 1933, as amended or supplemented from time to time
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“WSH”	Whateversmiles Limited, a company incorporated in Hong Kong on 4 December 2015 with limited liability and a wholly owned subsidiary of our Company
“WSJ”	Whateversmiles 株式會社, a joint stock company incorporated in Japan on 3 April 2017 with limited liability and a wholly owned subsidiary of our Company
“WHITE Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants’ own name
“YELLOW Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent

In this prospectus, unless the context otherwise requires, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “controlling shareholder” and “core connected person” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, PRC laws and regulations, the names of governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and if there is any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language or vice versa are marked with “*” and are provided for identification purposes only.

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date. 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 OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

“B2B”	business to business
“brand(s)”	comprising trademarks, characters, labels, names, logos, designs, or the names and/or likeness thereof, which may be further categorised into character brands, fashion brands, lifestyle brands and other brands
“brand licensor(s)”	licensor(s) of brand(s)
“CAGR”	compound annual growth rate
“character brand(s)”	brand(s) involving characters from animation or comics
“fashion brand(s)”	brand(s) involving fashion labels or fashion names
“free TV rights”	the rights to exhibit the media content by means of terrestrial television broadcast whereby the media content are receivable without charge
“GFA”	gross floor area
“inflight rights”	the rights to exhibit the media content to aircraft passengers during a flight via aircraft broadcasting channels
“IP”	intellectual property
“IPTV rights”	the rights to distribute streaming media content directly to viewers over the internet via private, dedicated network
“Japanese animation”	also known as anime, an art form, specifically animation, that includes all genres found in cinema and created in Japan
“lifestyle brand(s)”	brand(s) that attempt to embody the values, aspirations, interests, attitudes, or opinions of a group or a culture for marketing purposes

GLOSSARY OF TECHNICAL TERMS

“live streaming and catch up rights”	live streaming rights mean the rights to distribute the media content by live streaming, which is an electronic exhibition method by which the media content are continuously received by, and simultaneously exhibited to the viewer while the media content are being transmitted; catch up rights means the rights to distribute the media content to the viewer which can only be accessed and viewed by the viewer during a certain pre-agreed period after the first authorised transmission of the media content provided that no permanent copy or reproduction of the media content shall be made
“location-based entertainment rights”	the rights to use brands, characters, designs, or the names and/or likeness thereof in entertainment themes and attractions to draw consumers to specific locations, such as shopping malls, theme parks, cafes and restaurants
“media content”	media content including animation series, drama series, animated feature films, live-action feature films and other video content
“media content licensor(s)”	licensor(s) of media content
“merchandising rights”	the rights to produce, manufacture, sell and otherwise distribute, advertise and promote any tangible items, goods and/or products being or using the brands, characters, designs or the names and/or likeness thereof
“minimum guarantee”	an advance payment made by a licensee to a licensor to obtain the licensing rights, which will be recognised as licensed assets; it is usually non-refundable but recoupable or shall be set-off against the royalty payable
“non-theatrical rights”	the rights to licence media content for screening to audiences by organisations not primarily engaged in the business of exhibiting films or programs to the public and whose objects are not for profit
“on-line rights”	the rights to exploit the media content by broadcast or transmission of the media content over the internet

GLOSSARY OF TECHNICAL TERMS

“OTT”	over-the-top channels that distribute streaming media content directly to viewers over the internet via open network, including subscription-based video on demand services
“pay-per-view rights”	the rights to licence the media content on a service whereby a subscriber may request for home or other non-theatrical private viewing of the media content on a television or viewing screen, for which a separate fee for a single exhibition is charged
“pay TV rights”	the rights to exhibit the media content by cable or other transmissions where a viewer shall pay a media content source to receive a channel that broadcast the media content
“promotion rights”	the rights to use brands, characters, designs or the names to advertise and promote the goods, services, or general business operation of a licensee, including advertisements prepared for all print and audio-visual media uses (including radio, television and film), packaging materials, point-of-sale displays, premium items and other promotional items
“royalty rate”	payment made by one party, the licensee/sub-licensee, to another party, the licensor/master licensee, for the use of media content/brands of the licensor/master licensee expressed as a percentage of the revenue obtained using the media content/brands or as a fixed value, depending on the agreements between the parties
“SVOD rights”	subscription video-on-demand rights, i.e. the rights to exhibit the media content, where the timing of the delivery/exhibition of the media content is not pre-determined, but rather is at the viewer’s discretion, and in connection with a recurring fee and/or periodic access fee is charged
“SVOD services”	subscription video-on-demand services, i.e. the services of providing media content to the viewer where the timing of the delivery/exhibition of the media content is not pre-determined, but rather is at the viewer’s discretion, and in connection with a recurring fee and/or periodic access fee is charged

GLOSSARY OF TECHNICAL TERMS

“theatrical rights”	the rights to exhibit the media content by means of cinematograph projections in theatres and cinemas open to the general public on a regularly scheduled basis where a fee is charged for admission to view the media content
“TV”	television
“TV rights”	the rights to exhibit the media content by means of television broadcast, which may include free TV rights, pay TV rights and other TV rights
“video/DVD rights”	the rights to exploit the media content by means of release of a copy of the media content in a digital versatile disc (DVD) or other formats for private viewing
“VOD rights”	video-on-demand rights, i.e. the rights to exhibit the media content, where the timing of the delivery/exhibition of the media content is not pre-determined, but rather is at the viewer’s discretion, and in connection with a fee

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk factors”, “Industry overview”, “Business”, “Financial information” and “Future plans and use of proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our business strategies and plans to achieve these strategies;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- general economic, political and business conditions in the industry and markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we conduct or may conduct our business;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

The words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations relating to any aspect of our business or operations;
- general economic, market and business conditions, including the sustainability of the economic growth;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any 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, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk factors” in this prospectus.

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider the risks described below and all other information contained in this prospectus before making an investment decision. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that some of our business operations are conducted, and some of our markets in which we conduct our businesses are located outside of Hong Kong and are or may be governed by a legal and regulatory environment that differs in many material respects from those that prevail in other countries. Any of the following risks could adversely affect our business, financial condition and operating results. In that event, the trading price of our Shares could decline, and you could lose part or all of your investment.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

If we fail to source high-quality, popular media content/brands from media content/brand licensors upon terms acceptable to us or if there is any loss or deterioration of relationship with our media content/brand licensors, our business may be materially and adversely affected.

Our ability to provide high-quality, popular media content/brands to our customers depends in part on our ability to source media content/brands from media content/brand licensors. We typically enter into content distribution agreements/brand licensing agreements with media content/brand licensors. The licensing periods and the terms and conditions of such licenses vary. If media content/brand licensors and other rights holders are no longer willing or able to license media content/brands to us upon terms acceptable to us or if our relationship with our media content/brand licensors deteriorates and they are no longer willing to license media content/brands to us, our ability to offer media content/brands to our users will be adversely affected and/or our cost could further increase. As competition intensifies, we may see that the cost of obtaining licensed media content/brands may increase and our revenue may be adversely affected.

If we fail to identify sufficient or suitable customers for our licensed media content, our business performance, results of operations and financial condition may be materially and adversely affected.

Apart from distribution channels such as free, cable and satellite television channels, online entertainment platforms, other distribution channels such as OTT channels and mobile applications are developing rapidly in the PRC, Asia Pacific region, and other parts of the world. As the way of media content consumption continues to evolve, our existing customers may be replaced by newer distribution channels. There is no assurance that we will be able to identify new customers in these new media distribution channels or we will be successful in our negotiation with them. If we fail to identify sufficient or suitable distribution channels on commercially acceptable terms, or at all, we may not be able to maximise our licensing income from our licensed media content, thus materially and adversely affecting our profitability, business performance and results of operations.

RISK FACTORS

If we fail to identify the market trend and our licensed media content/brands fail to compete successfully with other media content/brands, our business performance, results of operations and financial condition may be materially and adversely affected.

The general public's preferences and appetite on media content/brands are subject to constant change and different media content genres/brands capture different market. Our revenue is mainly generated from the distribution of Japanese animation. Revenue generated from the distribution of Japanese animation distribution accounted for 80.3%, 87.2%, 90.2% and 86.8% of our total revenue for the three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively. Any change in audience preference towards Japanese animation and/or other media content/brands would affect our operations and financial results.

If we are unable to accurately identify popular media content/brands, promptly respond to changes in the general public's appetite or preferences or efficiently adapt to the latest market trends and industry developments, our licensed media content/brands may not be as competitive as other media content released or distributed during the Track Record Period. In addition, any market perception that the competing media content are of higher quality than or of similar themes or genres/categories as our licensed media content/brands may reduce the popularity of our licensed media content/brands. Any of the aforementioned circumstances may have a negative impact on our customers' interest in our licensed media content/brands, which may materially and adversely affect our business performance, results of operations and financial condition.

We are subject to risks of piracy and copyright infringement.

Due to technological advances and upgrades, acts of piracy and copyright infringement or any type of infringement are prevalent in many parts of the world, in particular the PRC. In many instances, as soon as the media content were officially released, pirated copies were available in the market. Because of their relatively low prices and the ease of obtaining/purchasing them, pirated copies may have become the preferred choice of some consumers. Furthermore, illegal downloading of media content on the internet is common in the PRC and other countries due to (i) the ease of conversion of media content into digital formats; (ii) the availability of unauthorised copies of media content on the internet; and (iii) the difficulty in enforcing intellectual property rights in the PRC and other countries. The creation, transmission and sharing of unauthorised copies of media content on the internet, whether prior to, during or after official release, may materially and adversely affect our business performance and results of operations.

There is no assurance that we will not experience acts of piracy or copyright infringement in the future. Any such acts may result in the loss of audience, thus reducing our revenue. In order to minimise the risks of piracy and infringement, we may have to incur financial resources and manpower to implement security and anti-piracy measures. Any of such circumstances may materially and adversely affect our business performance and results of operations.

RISK FACTORS

Any imposition of additional or more stringent laws or regulations on the distribution of media content by the PRC government or governments of other regions may result in an adverse effect on our results of operations.

The distribution of our licensed media content by our customers in the PRC or other regions are subject to certain laws and regulations. The National Radio and Television Administration (國家廣播電視總局) recently issued a notice to publicly solicit opinions on the drafting of the Regulations on the introduction and dissemination of overseas audio-visual programs (《境外視聽節目引進、傳播管理規定》). This regulation seeks to amongst others, expand the definition of “overseas TV programs” and expanding the scope of application of this regulation. Any changes in such laws and regulations or their interpretation may subject our customers to more onerous compliance requirements and our customers may be required to obtain additional licences, permits, approvals, registration or certificates in order to broadcast or otherwise distribute these media content. There is no assurance that the PRC government or governments of other regions will not impose additional or more stringent laws or regulations on the distribution of media content in the future. Any such additional or more stringent laws or regulations may result in an adverse effect on our results of operations.

We mainly derived our revenue in the PRC during the Track Record Period and changes in the PRC market or economic conditions could adversely affect our results of operations.

Our revenue generated from distribution of media content in the PRC for the three years ended 31 March 2018 and the seven months ended 31 October 2018 amounted to HK\$105.4 million, HK\$181.6 million, HK\$240.7 million and HK\$274.0 million, respectively, which accounted for 71.2%, 77.6%, 82.7% and 83.7% of our total revenue generated from distribution of media content for these periods, respectively. We expect this situation to continue in the near future. Accordingly, our business, results of operations, and financial condition are, to a significant degree, subject to economic developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. The PRC government continues to exercise significant control in regulating industry developments, allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. The economy of the PRC has experienced significant growth over the past decade, if we experience any difficulty in maintaining our distribution network in the PRC or any downturn in the PRC market or the PRC economic conditions generally it could have a material adverse effect on our results of operations and financial conditions.

We are subject to risks relating to content censorship.

Our revenue generated from distribution of media content in the PRC for the three years ended 31 March 2018 and the seven months ended 31 October 2018 amounted to HK\$105.4 million, HK\$181.6 million, HK\$240.7 million and HK\$274.0 million, respectively, which

RISK FACTORS

accounted for 71.2%, 77.6%, 82.7% and 83.7% of our total revenue generated from distribution of media content for these periods, respectively. We also generated our revenue from Hong Kong, US, Taiwan, Thailand and other countries during the Track Record Period. The PRC government has implemented a system for examining media content for distribution. Governments of other countries may also have relevant system for media content censorship.

There is no assurance that our media content will be in compliance with the relevant laws and regulations promulgated by the relevant competent authorities of the PRC government and governments of other regions. The relevant media content may have to be revised or may not be distributed if it infringes the said laws and regulations. We or our customers may have to incur additional costs and expenses to revise such media content, and the release or distribution schedules of such media content may be affected. Any of the aforesaid circumstances may materially and adversely affect our business performance, results of operations and financial condition.

Distribution of our licensed media content on the internet may be found objectionable by the PRC regulatory authorities.

The distribution of our licensed media content for our online entertainment platform customers is subject to the PRC regulations governing internet access and the distribution of videos and other forms of information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet any content that, among other things, violates the PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, frightening, gruesome, offensive, fraudulent or defamatory. Failure to comply with these requirements may result in monetary penalties, revocation of licences to provide internet content or other licences, suspension of the concerned platforms and reputational harm. In addition, these 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 cause our customers to be held liable as an internet content provider. Online entertainment platform operators may also be held liable for the content displayed on or linked to its platform that is subject to certain restrictions. Our customers who are online entertainment platforms may be subject to such restrictions. Our failure to identify and prevent illegal or inappropriate content from being distributed to our customers may subject our customers to liability, government sanctions or loss of licences and/or permits, which may in turn materially and adversely affect our business performance, results of operations and financial condition.

To the extent that the PRC regulatory authorities find any media content displayed on our customers' platforms objectionable, they may require our customers to limit or eliminate the dissemination of such media content on their platform in the form of take-down orders or otherwise. In the past, we have from time to time received our customers' request to delete or restrict certain content that the PRC government deemed inappropriate or sensitive. In the event that the PRC regulatory authorities find our media content on our customers' platform objectionable and impose penalties on our customers or take other actions against our customers in the future, our business, results of operations and reputation may be materially and adversely affected.

RISK FACTORS

Legal disputes or proceedings may expose us to liabilities, divert our management's attention and adversely impact our reputation.

During the ordinary course of our business operations, we may be involved in legal disputes or proceedings relating to, among other things, intellectual property disputes, contractual disputes and labour disputes. Such legal disputes or proceedings may subject us to substantial liabilities and may have a material and adverse effect on our reputation, business operations and financial condition.

If we become involved in material or protracted legal proceedings or other legal disputes in the future, we may need to incur substantial legal expenses and our management may need to devote significant time and attention to handle such proceedings and disputes, diverting their attention from our business operations. In addition, the outcome of such proceedings or disputes may be uncertain and could result in settlement or outcomes which may adversely affect our financial condition and results of operations.

We may be exposed to IP infringement claims by third parties against our licensors/licensees/us, and if we fail to defend such claims, they could subject us to significant liabilities and other costs and we may not be allowed to continue to use certain of the IP rights.

Our success depends largely on our ability to distribute/license our licensed media content/brands without infringing the IP rights of third parties. We cannot assure you that third parties will not assert IP claims against our licensors/licensees/our Group during the course of our business. The validity and scope of those claims relating to the IP rights involve complex legal and factual questions and analyses, which entail uncertainty and ambiguity. If third parties assert claims against our licensors/licensees/us for IP rights infringement, our licensors/licensees/we may need to defend the claims through legal proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of our management personnel in defending against these third-party infringement claims, regardless of the merits. If our licensors/licensees/we fail to successfully defend such claims, we may be exposed to substantial liabilities to third parties and/or our customers and subject our Group to injunctions prohibiting the distribution/licensing of the relevant media content/brands, which may materially and adversely affect our business operations and financial condition. Any infringement claim, whether with merits or not, may generate negative publicity which could harm our reputation.

We are exposed to the credit risk in relation to our trade receivables.

There is no assurance that our customers will meet their payment obligations on time, in full or at all, or that our Group's average trade receivables turnover days will not increase. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our receivables turnover days were 124, 127, 137 and 110 days respectively. As at 31 March 2016, 2017 and 2018 and 31 October 2018, the balance of our Group's trade receivables amounted to approximately HK\$70.0 million, HK\$114.0 million, HK\$121.3 million and HK\$239.8 million, respectively.

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We may also fail to detect changes to the credit risk in relation to our trade receivables over time. We could not guarantee that our Group is able to successfully collect any or all of the debts due, and any failure on the part of our Group's customers 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 provisions for impairment on our trade receivables was approximately HK\$146,000, HK\$8.4 million, HK\$8.4 million and HK\$11.2 million, respectively, as at 31 March 2016, 2017, 2018 and 31 October 2018.

If we fail to recoup the minimum guarantee paid by us to the media content/brand licensors, our licensed assets may be subject to further write-down.

Our licensed assets as at 31 March 2016, 31 March 2017, 31 March 2018, and 31 October 2018 represented the amount of minimum guarantee which had not been recouped. Our licensed assets amounted to approximately HK\$72.7 million, HK\$84.6 million, HK\$107.8 million and HK\$155.2 million as at 31 March 2016, 2017 and 2018 and 31 October 2018, respectively, which accounted for 28.7%, 24.3%, 25.3% and 24.9% of our total assets as at the respective date. The amount of minimum guarantee we are required to pay for each media content/brand varies depending on the popularity, exclusivity, content/brand type and revenue projection. Our ability to recoup such minimum guarantee paid depends on whether we are able to identify sufficient or suitable distribution channels/sub-licensees on commercially acceptable terms, or at all, for our media content/brands. If we fail to recoup our minimum guarantee paid by us to the media content/brand licensors, our licensed assets may be subject to write-down. We perform regular review of the carrying amount of licensed assets, which represent the amount of minimum guarantee which had not been recouped, with reference to ageing analysis and other specific assessments including projections of expected future saleability of licensed assets based on historical sales patterns and other specific attributes, and management experience and judgement. Based on such review, write-down of the licensed assets will be made when the carrying amounts of licensed assets decline below their estimated net realisable values. We had net written-down of licensed assets to net realisable value of approximately HK\$6.1 million, net reversal of approximately HK\$0.4 million, net reversal of approximately HK\$1.1 million and net written-down of approximately HK\$0.3 million, respectively, for the three years ended 31 March 2018 and the seven months ended 31 October 2018. In the event that the carrying amount of our licensed assets is below their estimated net realisable values, such licensed assets may be subject to further write-down, which may in turn materially and adversely affect our business, financial position and results of operations.

We experience a mismatch in timing between receipt of payment from our customers and settlement of our advance payment or minimum guarantee due to our media content licensors. If such mismatch is substantial, we may not have sufficient cash for making advance payment or payment of minimum guarantee to obtain licensing rights for new media content.

Upon signing of the content distribution agreements with our licensors, we are normally required to make advance payment or minimum guarantee payment to our media content

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licensors in order to obtain media content licensing rights and a substantial amount of cash payment is usually required to be made to our media content licensors before we generate any revenue from our customers. During the Track Record Period, we were required to pay a total amount of minimum guarantee of approximately HK\$76.0 million, HK\$132.0 million, HK\$140.7 million and HK\$169.0 million, respectively. Therefore, we experience a mismatch in timing between receipt of payment from our customers and settlement of our advance payment or minimum guarantee payment due to our media content licensors from time to time. If such mismatch is substantial, we may not have sufficient cash for settlement of advance payment or minimum guarantee payment to obtain licensing rights for new media content, which could materially and adversely affect our business, financial condition and operating results.

We generated a substantial portion of our revenue from our five largest customers during the Track Record Period.

For the three years ended 31 March 2018 and the seven months ended 31 October 2018, the percentage of our aggregate revenue attributable to our five largest customers in aggregate was 61.2%, 69.0%, 80.5% and 82.2%. See “Business – Our customers” in this prospectus for further details.

We cannot assure that there will not be any dispute with our major customers, or that we will be able to maintain business relationships with our existing customers. In the event that the existing major customers experience financial difficulties, cease doing business with us or significantly reduce the amount of purchase from us, it could have a material adverse effect on our business, financial condition and operating results.

Our revenue is, to a certain extent, subject to the number of titles of media content we distribute.

Our revenue depends on the number of titles of media content we distribute in a particular financial year. The number of titles of media content we distribute in a particular year is subject to factors such as the general economic conditions in the Asia Pacific region and the Japanese animation industry and our ability to source high-quality and popular media content and expand our distribution platforms. See “Financial information – Key factors affecting our results of operations” in this prospectus for further details on the media content that our Group distributed during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we had distributed over 780 titles of media content. As at the Latest Practicable Date, we held licensing rights of 403 active titles of media content. There exists a certain degree of uncertainty as to our future revenue and financial results, and our financial performance during the Track Record Period may not be indicative of our future financial performance. Furthermore, there is no assurance that our licensed media content referred to in “Business – Our business model – Our Media Content Distribution Business” in this prospectus will be released on schedule or at all. There is also no assurance that we will distribute similar number of titles of media content in the

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future as in the Track Record Period. Any delay in the release of our licensed media content or any decrease in the number of titles of media content we distribute may materially and adversely affect our business performance, results of operations and financial condition.

If our Group’s customers or our existing customers obtaining licensing rights of media content directly from media content owners/licensors, we may experience termination or discontinuation of business relationship with our customers or there may be a significant decrease in their purchases from us, which could have a material and adverse effect on us.

We believe that we provide valuable services to our media content licensors and our customers. See “Business – Our business model – Our role in the value chain” in this prospectus for further details. According to the Frost & Sullivan Report, a number of PRC media platforms may obtain Japanese animation series directly from media content owners/licensors. During the Track Record Period and up to the Latest Practicable Date, our major customers primarily included operators of online media platforms and media networks. With the ease of communication and transparency in market information, operators of online media platforms and media networks may have means to deal with media content owners/licensors directly to obtain licensing rights for media content, which may diminish the importance of our role as a media content distributor. Furthermore, our media content customers may find the value-added services we provide not enough to justify the costs involved in retaining our services. If our existing customers obtain licensing rights directly from media content owners/licensors instead of obtaining them through our Group, they may not maintain the level of purchases from us in the past or may not purchase from us at all. There is no guarantee that we will be able to maintain our relationship with our existing customers or to develop relationship with new customers on acceptable terms. Any termination or discontinuation of business relationship with, or significant decrease in purchase from, our customers could have a material and adverse effect on us.

Furthermore, there is no assurance that we will be successful in managing our customers and detecting non-compliance with our distribution arrangements by them (if applicable), which may in turn result in harmful effect on our licensed media content.

We expect that our future performance will continue to depend on the success of our major customers. In turn, the success of our major customers depends on several factors, including but not limited to the audience preference and market acceptance of their licensed media content as well as the distribution channels of our customers. Any development adverse to our major customers, including but not limited to, reduction in viewership of our customers for whatever reason, could materially and adversely affect our business, financial condition and operating results.

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During the Track Record Period, we generated a small percentage of our revenue generated from our management and service fee income from MAIL which became our wholly owned subsidiary will not continue after MAIL Acquisition.

During the Track Record Period, our Group recognised management and service fee income received from MAIL (which became our wholly-owned subsidiary upon completion of the MAIL Acquisition in August 2018) for providing the related corporate and business support services, including providing administrative, sales and marketing supports, managing relationships with local customers and suppliers, arranging local events and providing bookkeeping services and other accounting services by our subsidiaries in Hong Kong and PRC to MAIL. For the three years ended 31 March 2018, we recognised management and service fee income of approximately HK\$4.1 million, HK\$4.4 million, HK\$12.7 million and HK\$4.3 million from MAIL representing 2.4%, 1.7%, 4.0% and 1.2% of our revenue, respectively. As MAIL became our wholly-owned subsidiary after completion of the MAIL Acquisition, such management and service fee income became inter-company transactions and therefore were eliminated at a group level and such income was not recorded at a group level after the completion of the MAIL Acquisition. See “Financial information – Description of selected items in statements of comprehensive income – Other income and gains” in this prospectus for further details.

We recorded negative operating cash flow for the year ended 31 March 2016.

We recorded negative operating cash flow for the year ended 31 March 2016 of approximately HK\$22.4 million. If we continue to have negative operating cash flow in the future, our liquidity and financial condition may be materially and adversely affected. See “Financial information – Summary financial information and operating data – Highlights of combined statement of cash flows” in this prospectus for further details. We cannot assure you that we will be able to record positive operating cash flow in the future. Our liquidity and financial condition may be materially and adversely affected should our future operating cash flow remain negative, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us or at all.

We face risks related to natural disasters, health epidemics and other outbreaks of contagious diseases.

Our business could be adversely affected by natural disasters or outbreaks of epidemics. For example, earthquakes in Japan may affect the production schedule of media content of our licensors. Outbreaks of epidemics in the PRC may affect the livelihood of thousands of people in the PRC. These natural disasters, outbreaks of contagious diseases, and other adverse public health developments in the Asia Pacific region or any other market in which we do business could severely disrupt our business operations by damaging our network infrastructure or information technology system or impacting the productivity of our workforce, as well as reducing the demand for our licensed media content and services, which may materially adversely affect our business, financial condition and results of operations.

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Our success depends on the continuing efforts of our management team and our business may be harmed if we lose their services.

The success of our Group is dependent, to a significant extent, on our ability to retain the services of our executive Directors and senior management. Our executive Directors and senior management have extensive experience and business relationships in the industries that we operate and are responsible for formulating and implementing the overall business and corporate growth strategies of our Group. In particular, Ms. Lovinia Chiu, our founder, chairman of our Board, an executive Director and chief executive officer of our Company, is responsible for formulating and implementing the overall development strategies and business plans of our Group and overseeing the overall development and operations of our Group. Most members of our senior management team have over 20 years of experience in their respective fields. The loss of services of our executive Directors and/or our senior management without suitable replacement could lead to the deterioration of our business operations and prospects.

Furthermore, our senior management and other key personnel possess in-depth industry knowledge and substantial experience in business management, and have made significant contributions to the development of our Group. To a certain extent, our Group's daily operation is dependent on the performance of our senior management and key personnel. In the event that our Group falls to retain the services of any of our senior management and/or key personnel and fails to attract competent replacements, our business operations and prospects could be adversely affected.

Our business growth could be adversely affected if we are unable to attract, motivate and retain a sufficient number of qualified employees in order to grow our business.

Our ability to continue to grow our business and deliver effective service to our customers depends on our ability to attract and retain qualified employees that are, among other things, able to effectively communicate and negotiate with our licensors and our customers. However, competition for qualified personnel is intense; we cannot assure you that we will be able to attract, hire and retain a sufficient number of qualified personnel to continue to expand our business in the manner we contemplate and deliver effective service to our customers. In addition, competition for these individuals could cause us to offer higher compensation and other benefits in order to attract and retain them, which would increase our operational costs.

Fluctuations in exchange rates may result in foreign currency exchange losses and foreign exchange regulations may limit the ability of our operating subsidiaries to remit payments to us and may expose us to exchange rate volatility.

The revenue generated by our core businesses during the Track Record Period, namely our Media Content Distribution Business and Brand Licensing Business, was denominated in USD and RMB. Further, we mainly pay USD to our licensors pursuant to our arrangements with them in respect of our licensed media content and brands. Therefore, we are exposed to foreign currency risk, such as fluctuations in the exchange rates of USD and RMB against other currencies would have a negative effect on the amount we are required to pay our licensors.

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Moreover, RMB is not readily convertible into other currencies. As advised by our PRC Legal Advisers, under the existing foreign exchange regulations in the PRC, RMB is freely convertible for payments of current account items (such as trade) by complying with certain procedural requirements, while it is not freely convertible for capital account items (such as direct investment) unless prior approval from SAFE or its local counterparts is obtained. However, the PRC government may decide to restrict access to foreign exchange for current account transactions in the future.

Fluctuations in exchange rates may adversely affect the value, translated or converted into other currencies, of our net assets, earnings or any declared dividends. Also, we are of the view that there are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the RMB and other currencies. As at the Latest Practicable Date, we have not entered into any agreements to hedge our exchange rate exposure. In any event, to the extent such hedges are available, their effectiveness may be limited and we may be unable to hedge our exposure successfully, or at all.

Our Group's operations may be subject to transfer pricing adjustment.

During the Track Record Period, our Group carried out certain intra-group and/or related party transactions in Hong Kong and the PRC. See “Business – Transfer pricing arrangement” in this prospectus for further details of certain intra-group related party transactions.

Our Group has engaged an independent tax consultant to conduct a transfer pricing analysis on the intra-group transactions based on, among other things, the applicable regulations and guidance on transfer pricing in the PRC. The relevant tax authorities in the PRC and Hong Kong may make adjustment to the tax payable by our Group in respect of such intra-group and/or related party transactions. In such event, in addition to reputation risks, our Group may also need to incur additional expenses and direct management resources to deal with the relevant tax authorities.

We may be subject to uninsured risks from our business operations.

We have maintained certain insurance coverage through external insurers during the Track Record Period. See “Business – Insurance” in this prospectus for further details of our insurance coverage. There can be no assurance that our insurance coverage will be sufficient or that the insurers will reimburse us for losses and expenses related to labour dispute or other claims in a timely manner or at all. Any events for which we do not maintain insurance or for which our insurance cover is inadequate, or for which insurers do not reimburse us in a timely manner, may materially and adversely affect our business operations, financial conditions and operating results.

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The ageing population may have an adverse effect on our business and results of operations.

As a portion of our Group's licensed Japanese animation series mainly targets young children and teenagers, the ageing population in the Asia Pacific region may hinder the growth of our business in the long run, as the demand for such media content may gradually decrease due to the drop of birth rate in the region. As such, a decrease in demand from young children and teenagers together with an ageing population which may grow out of interest in Japanese animation series may result in a decline in the demand of our licensed media content. An overall reduction in the size of the Japanese animation market and the ageing population in the Asia Pacific region may have an adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and an active trading market in our Shares may not develop.

Prior to the Global Offering, there was no public market for our Shares. The Offer Price for our Shares will be determined by us and the Sole Global Coordinator (on behalf of the Underwriters) based on, among other things, market and economic conditions on the date the Offer Price is determined, our results of operations, market valuations of other companies engaged in similar activities, the present state of our business operations, our management, indications of interest from potential investors in our Shares and other factors deemed relevant, and may differ significantly from the market price for the Shares after the Global Offering. We have applied to list and deal in our Shares on the Stock Exchange. There can be no assurance that an active trading market for our Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our Shares will not decline below the initial offer price.

The price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in the Global Offering.

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, acquisitions or alliances, regulatory developments, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and unexpectedly. In addition, financial markets around the world have been experiencing heightened turmoil and stock prices have been subject to significant volatility in recent years. Given the potential market fluctuations, the price of our Shares may decline significantly, and as a result you may incur substantial losses on your investments.

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Investors will experience immediate 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 completion of the Global Offering and the Capitalisation Issue, investors of our Shares in the Global Offering will experience an immediate dilution in pro forma combined net tangible assets to HK\$0.250 per Share (assuming an Offer Price of HK\$0.49, which is the mid-point of the indicative range of the Offer Price of HK\$0.45 to HK\$0.53, and assuming that the Over-allotment Option is not exercised), and our existing Shareholders will experience an increase in the pro forma adjusted net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience a further dilution of their Shareholding if the Over-allotment Option is exercised or if we seek equity financing in the future.

Future sales or perceived sales of substantial amounts of our securities in the public market could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future, and may result in dilution of your shareholding in our Company.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate. In addition, our Shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

Certain amounts of our Shares currently outstanding are and/or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See “Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Undertakings given to the Stock Exchange pursuant to the Listing Rules” and “Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Undertakings given to the Hong Kong Underwriters” in this prospectus for further details on the restrictions on the sale of our Shares by our Controlling Shareholders. After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares could negatively impact the market price of our Shares and our ability to raise capital in the future.

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Historical dividends may not be indicative of our future dividend policy and we may not be able to pay any dividends on our Shares.

Our historical dividends may not be indicative of our future dividend policy. During the Track Record Period, no dividends had been paid or declared by our Company. The dividends declared and paid by our subsidiaries to their then shareholder was nil, HK\$5.0 million, HK\$50.0 million and nil for the three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively. On 23 November 2018, our subsidiaries declared interim dividends of HK\$72.5 million to their then shareholder and the payment of such dividend was made on 25 March 2019. See “Financial information – Dividend” in this prospectus for further details of the reasons for the historical dividends. Following the Listing, the historical pattern of dividend payment may not recur as before or at all. We cannot assure you when, if and in what form dividends will be paid on our Shares following the Global Offering. A declaration of dividends must be proposed by the Board and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Due to a gap of several business days between pricing and trading of our Shares, and given that our Shares will not commence trading on the Stock Exchange until the Listing Date, the initial trading price of our Shares could be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is around five business days after the Price Determination Date. As a result, you may not be able to sell or otherwise deal in our Shares during such period, and thus are subject to the risk that the market price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments occurring during this period.

Certain facts and statistics in this prospectus are derived from various sources, the reliability of which cannot be assumed or assured.

The information and statistics contained in this prospectus related to the PRC, Japan, and the Asia Pacific region and the industries in which we operate have been derived from various sources. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. Such information and statistics have not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to their correctness or accuracy.

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While we have taken reasonable care to reproduce such information, we cannot guarantee the accuracy and reliability of the information contained in such sources. Those facts and statistics may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. 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. In addition, we cannot assure you that they are stated with the same degree of accuracy as may be elsewhere. You should give consideration as to how much weight or importance to place on all such facts and statistics.

**WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

In preparation for the Global Offering, we have sought the following waiver from strict compliance with Rule 4.04(1) of the Listing Rules and exemption from strict compliance with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING
RULES AND THE EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

Rule 4.04(1) of the Listing Rules (“**Rule 4.04(1)**”) requires that the accountants’ report to be included in a listing document must include the consolidated results of the listing applicant in respect of each of the three financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants’ report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes that a statement as to the gross trading income or sales turnover of the listing applicant for each of the three financial years preceding the issue of the prospectus including an explanation of the method used for the computation of such income or turnover, and a reasonable breakdown between the more important trading activities, be included in the prospectus.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance further prescribes that a report by the auditors of the listing applicant with respect to (i) the profits and losses of the listing applicant for each of the three financial years immediately preceding the issue of the prospectus; and (ii) the assets and liabilities of the listing applicant at the last date to which the accounts of the listing applicant were made up, be included in the prospectus.

Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from strict compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants’ Report set out in Appendix I to this prospectus includes the audited consolidated results of our Group for each of the three financial years ended 31 March 2018 and the seven months ended 31 October 2018.

**WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

Pursuant to Rule 4.04(1), Paragraph 27 of Part I and Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to produce audited accounts for the three years ended 31 March 2019. Our Company has sought a waiver from strict compliance with Rule 4.04(1) and a certificate of exemption from strict compliance with section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance as the strict compliance with the requirements thereunder would be unduly burdensome and the waiver and exemption thereof would not prejudice the interest of the investing public for the following reasons:

(a) The exemption would not prejudice the interests of the investing public

The Accountants' Report set out in Appendix I to this prospectus is made up to 31 October 2018 and the profit estimate of the Group set out in Appendix III to this prospectus is made up to 31 March 2019. Our Directors have confirmed that, after performing sufficient review, that there has been no material adverse change in the financial and trading position or prospects of our Group since 31 October 2018 and that there has been no event which would materially and adversely affect the information contained in the Accountants' Report set out in Appendix I to this prospectus and the profit estimate of the Group set out in Appendix III to this prospectus. Our Directors have also confirmed that sufficient review has been conducted to ensure that there has been no material adverse change in the financial and trading position or prospects of our Group from 31 October 2018 to the latest financial year end on 31 March 2019 and that there is no event which would materially and adversely affect the information contained in the Accountants' Report and the profit estimate of the Group set out in Appendix III to this prospectus. In addition, the information regarding our Group's recent developments subsequent to the Track Record Period and up to the Latest Practicable Date included in this prospectus have provided the potential investors with reasonably up-to-date information in the circumstances to make an informed assessment of the business, assets and liabilities, financial positions and profitability of our Group.

(b) Strict compliance with the relevant requirements would be unduly burdensome

This prospectus will be issued on 30 April 2019. It would be unduly burdensome for the audited results of our Group for the financial year ended 31 March 2019 to be finalised shortly after the financial year end. If the full-year audited results for the financial year ended 31 March 2019 are to be included, there will be a significant delay in the listing timetable. It will also be unduly burdensome for our Company to produce and its reporting accountants to audit, the financial statements for the year ended 31 March 2019 to meet the proposed listing timetable. Our Directors consider that the benefits of such work may not justify the additional work and expenses involved and the significant delay in the listing timetable, given that (i) there has been no significant change in the financial and trading position or prospects of our Group since 31 October 2018, being the last day of the period reported on by the Company's reporting accountants; and (ii) this prospectus has included a profit estimate for the year ended 31 March 2019 (which would comply with Rule 11.17, Rule 11.18 and Rule 11.19 of the Listing Rules).

**WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

(c) No material adverse change

Our Directors and the Sole Sponsor confirm that they have performed sufficient due diligence work to ensure that since 31 October 2018:

- (i) there has been no material adverse change in the financial and trading position or prospect of our Group from 31 October 2018 to the date of this prospectus; and
- (ii) there has been no event that would materially and adversely affect the information contained in the Accountants' Report set out in Appendix I to this prospectus and the profit estimate of the Group set out in Appendix III to this prospectus.

Accordingly, an application has been made to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, on the following conditions:

- (i) this prospectus will be issued by 30 April 2019 and our Company will be listed on the Stock Exchange by 30 June 2019;
- (ii) our Company obtains a certificate of exemption from the SFC from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (iii) this prospectus includes the profit estimate for the year ended 31 March 2019 which complies with Rules 11.17 to 11.19; and
- (iv) this prospectus includes a Directors' statement that after performing all due diligence work which they consider appropriate, there is no material adverse change to its financial and trading positions or prospects with specific reference to the trading results from 31 October 2018 to 31 March 2019.

Further, an application has been made to the SFC for an exemption, and the SFC has granted a certificate of exemption, from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the following conditions:

- (i) this prospectus will be issued by 30 April 2019 and our Company will be listed on the Stock Exchange by 30 June 2019;
- (ii) the particulars of the exemption are set forth in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors 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 and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our 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.

PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFERING ONLY

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering.

The 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 conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares shall, 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 in this prospectus is correct as of any subsequent time.

INFORMATION ON THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in “How to apply for the Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

UNDERWRITING

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Sole Global Coordinator (on behalf of the Underwriters) and us. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. See “Underwriting” in this prospectus for further details about the Underwriters and the underwriting arrangements.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose 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 authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in Mainland China or the United States.

ELIGIBILITY FOR CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange and we comply with the stock admission requirements of HKSCC, our 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 Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Except as disclosed, no part of our share or loan capital 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 on the Stock Exchange or any other stock exchange as at the date of this prospectus. All of the Offer Shares will be registered on our Hong Kong branch share register in order to enable them to be traded on the Stock Exchange.

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 our Company by or on behalf of the Stock Exchange.

HONG KONG BRANCH SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our branch register of members to be maintained by Hong Kong Branch Share Registrar in Hong Kong. Our principal register of members will be maintained by Walkers Corporate Limited in the Cayman Islands.

Dealings in the Shares registered on our Hong Kong branch share register will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STABILISATION AND OVER-ALLOTMENT

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Global Offering, we intend to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator (on behalf of the International Underwriters) within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to issue and allot up to an aggregate of 74,700,000 Shares (in aggregate representing 15% of the total number of the Shares initially available under the Global Offering) at the Offer Price to cover, among other things, over-allocation in the International Placing.

See “Structure of the Global Offering – Over-allotment Option” and “Stabilisation” in this prospectus for further details with respect to stabilisation and the Over-allotment Option.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in “How to apply for the Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of certain Chinese names, entities, departments, facilities, certificates, titles, laws, regulations and the like are unofficial translations of their Chinese names and are included for identification purposes only, and if there is any inconsistency, the Chinese name prevails in such cases.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB, Rp, MYR and TWD into Hong Kong dollars at specified rates. You should not construe these translations as representations that the RMB could actually be, or have been, converted into Hong Kong dollars (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of RMB into Hong Kong dollars have been made at the rate of RMB0.89 to HK\$1.00, the translations of Rp into Hong Kong dollars have been made at the rate of

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Rp1863.86 to HK\$1.00, the translations of MYR into Hong Kong dollars have been made at the rate of MYR0.54 to HK\$1.00 and the translations of TWD into Hong Kong dollars have been made at the rate of TWD3.93 to HK\$1.00.

ROUNDINGS

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Ms. Chiu Siu Yin Lovinia (趙小燕女士)	Flat B, 7-8/F, Tower 3 39 Tat Chee Avenue, Parc Oasis Yau Yat Chuen Kowloon Hong Kong	Chinese
Mr. Cheung Wai Kit (張偉傑先生)	23G Tai Wo, Pat Heung Yuen Long New Territories Hong Kong	Chinese
Mr. Ma Ching Fung (馬正鋒先生)	Flat C, 5/F, Block 5 Tropicana 2 Yin Ping Road Beacon Hill Kowloon Hong Kong	Chinese
Ms. Chiu Siu Fung Noletta (趙小鳳女士)	Flat D, 11/F, Block A Mountain Court No. 5 Ho Man Tin Hill Road Ho Man Tin Kowloon Hong Kong	Chinese
<i>Non-executive Director</i>		
Ms. Wong Hang Yee, JP (黃幸怡女士)	Flat B, 11/F, Block 2 Illumination Terrace 7 Tai Hang Road Causeway Bay Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Independent non-executive Directors</i>		
Ms. Leung Chan Che Ming Miranda (梁陳智明女士)	18/F, Flat B Rome Court Realty Gardens 41 Conduit Road Hong Kong	Chinese
Mr. Fung Ying Wai Wilson (馮英偉先生)	26/F, Flat E Tung Hoi Mansion Taikoo Shing Kwun Hoi Terrace 8 Taikoo Shing Road Hong Kong	Chinese
Mr. Wong Kam Pui, JP (黃錦沛先生)	G/F, Block 7 Kambridge Garden 1 Razor Hill Road Clear Water Bay New Territories Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Guotai Junan Capital Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Sole Global Coordinator

Guotai Junan Securities (Hong Kong) Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

**Joint Bookrunners and
Joint Lead Managers**

Guotai Junan Securities (Hong Kong) Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

**China Industrial Securities
International Capital Limited**

32/F & Room 2503-2506
Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

Co-lead Managers

Ever-Long Securities Company Limited

Rooms 1101-02, 1111-12, Wing On Centre
111 Connaught Road Central
Hong Kong

Tongfang Securities Limited

Unit 2102-3 21/F
Golden Centre
188 Des Voeux Road
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company

As to Hong Kong law:
DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to Cayman Islands law and BVI law:
Walkers (Hong Kong)
15th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

**Legal advisers to the Sole Sponsor and
the Underwriters**

As to Hong Kong law:
Deacons
5th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

Auditors and reporting accountants

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Receiving bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office	Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands
Headquarters	Suite 1001, 10/F, Tower 1 South Seas Centre 75 Mody Road Tsim Sha Tsui East Kowloon Hong Kong
Principal place of business in Hong Kong	Suite 1001, 10/F, Tower 1 South Seas Centre 75 Mody Road Tsim Sha Tsui East Kowloon Hong Kong
Company's website	<u>www.medialinkgrouppltd.com.hk</u> <i>(Note: the information contained on this website does not form part of this prospectus)</i>
Company secretary	Mr. Ma Ching Fung (馬正鋒先生) <i>(Fellow of ACCA, HKICPA; Associate of ICSA and HKICS)</i> Suite 1001, 10/F, Tower 1 South Seas Centre 75 Mody Road Tsim Sha Tsui East Kowloon Hong Kong

CORPORATE INFORMATION

Authorised representatives	Ms. Wong Hang Yee (黃幸怡女士) Suite 1001, 10/F, Tower 1 South Seas Centre 75 Mody Road Tsim Sha Tsui East Kowloon Hong Kong
	Mr. Ma Ching Fung (馬正鋒先生) Suite 1001, 10/F, Tower 1 South Seas Centre 75 Mody Road Tsim Sha Tsui East Kowloon Hong Kong
Audit Committee	Mr. Fung Ying Wai Wilson (馮英偉先生) (<i>Chairman</i>) Ms. Leung Chan Che Ming Miranda (梁陳智明女士) Mr. Wong Kam Pui (黃錦沛先生) Ms. Wong Hang Yee (黃幸怡女士)
Remuneration Committee	Mr. Wong Kam Pui (黃錦沛先生) (<i>Chairman</i>) Mr. Fung Ying Wai Wilson (馮英偉先生) Ms. Wong Hang Yee (黃幸怡女士)
Nomination Committee	Ms. Chiu Siu Yin Lovinia (趙小燕女士) (<i>Chairman</i>) Mr. Wong Kam Pui (黃錦沛先生) Ms. Leung Chan Che Ming Miranda (梁陳智明女士)
Principal share registrar and transfer office	Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands

CORPORATE INFORMATION

Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance adviser	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Industry Consultant	Frost & Sullivan International Limited Room 1706, One Exchange Square Central, Hong Kong
Principal Bank(s)	Standard Chartered Bank (Hong Kong) Limited Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong

INDUSTRY OVERVIEW

The information that appears in this section has been prepared by Frost & Sullivan and reflects estimates of market conditions based on publicly available sources and is prepared primarily as a market research tool. References to Frost & Sullivan Report should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in us. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriter(s) or any other party or affiliate involved in the Global Offering and neither they give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an Independent Third Party, to conduct a study of, and to produce a report on, the Japanese animation content distribution market and the entertainment and character IP licensing market in the PRC (“**Frost & Sullivan Report**”). Entertainment and character IP licensing refers to the licensing of IP properties of five major categories, namely animation, comics, films, TV shows and other online entertainment IP. We agreed to pay Frost & Sullivan a fee of HK\$488,000 for the preparation of the Frost & Sullivan Report, and our Directors consider that such fee reflects market rates.

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan Report included secondary research and primary interviews. Secondary research involves information integration of data and publication from publicly available resources, including official data and announcements from PRC government departments, market research on industry, and enterprise player information issued by our chief competitors. Primary interviews are conducted with relevant institutions to obtain objective and factual data and prospective predictions. Frost & Sullivan considers the source of information as reliable because (i) it is general market practice to adopt official data and announcements from various PRC government departments; and (ii) the information obtained from interviews is for reference only and the findings in the Frost & Sullivan Report are not just based on the results of these interviews. Frost & Sullivan has proven track records in providing market research studies for government departments/agencies and private clients in the regions where the Frost & Sullivan Report covers.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan’s services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan has three offices in the PRC and direct access to the most knowledgeable experts and market participants in the Japanese animation content distribution and entertainment and character IP licensing industry.

INDUSTRY OVERVIEW

Frost & Sullivan conducts research on market size, share and segmentation analyses, competitor tracking and corporate intelligence, etc. Some of the information extracted from the Frost & Sullivan Report are also referred to in “Summary,” “Business” and “Financial information” in this prospectus. Our Directors confirm that, to the best of their knowledge, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

ASSUMPTIONS USED IN THE FROST & SULLIVAN REPORT

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the economy of the PRC is assumed to maintain steady growth across the forecast period; (ii) the social, economic and political environments of the PRC are likely to remain stable in the forecast period, which ensure the stable and healthy development of the Japanese animation content distribution market and the entertainment and character IP licensing market; and (iii) there is no war or large scale disaster in the regions where our Group operates its business during the forecast period.

RELIABILITY OF INFORMATION IN THE FROST & SULLIVAN REPORT

Our Directors, after making reasonable enquiries, are of the view that the sources of information used in this section are reliable as the information was extracted from the Frost & Sullivan Report. Our Directors believe that the Frost & Sullivan Report is reliable and not misleading as Frost & Sullivan is an independent professional research agency with extensive experience in its profession.

ANALYSIS ON THE JAPANESE ANIMATION CONTENT DISTRIBUTION MARKET IN THE PRC

Animation content refers to all forms of animated media including traditional animation, live-action TV and live-action movie based on animations or comics.

Japan leads the market of animation content. The earliest commercial Japanese animation dates to 1917. Since then the market has steadily developed. Since 1980s, animation became increasingly accepted in the mainstream in Japan. The market witnessed a boom and became more influential in overseas markets.

The market of Japanese animation in the PRC boomed in 1990s. However, the market shrank in 2000s due to the limitation of distribution of oversea animation imposed by the State Administration of Radio Film and Television. The renaissance of Japanese animation started since 2015, mainly credited to the development of online broadcasting and the booming of the distribution of foreign films.

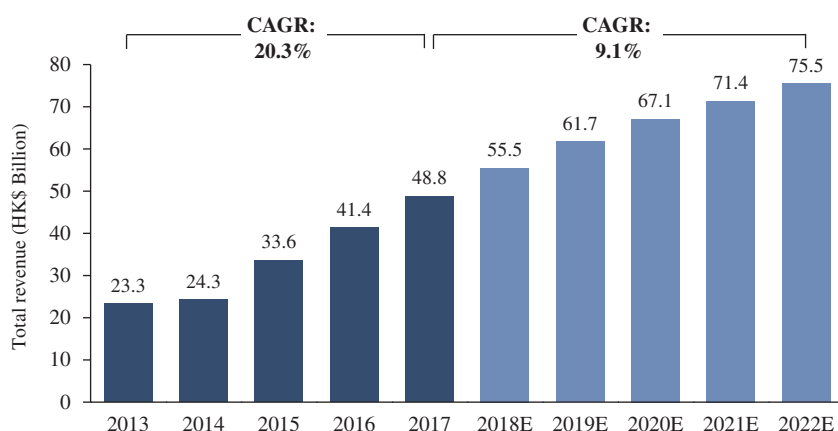
INDUSTRY OVERVIEW

MARKET SIZE OF THE JAPANESE ANIMATION CONTENT DISTRIBUTION MARKET

The revenue of Japanese animation content distribution in the global market increased in the past several years, mainly due to the development of theatrical animation market and the growing popularity of Japanese animation in the PRC and overseas markets. The global market increased from HK\$23.3 billion in 2013 to HK\$48.8 billion in 2017, showing a CAGR of 20.3% during the period.

Going forward, the global market is expected to keep growing at a CAGR of 9.1%, reaching HK\$75.5 billion in 2022. The global market is forecast to be driven by the fast developing overseas markets.

Total revenue of the Japanese animation content distribution global market 2013 – 2022E



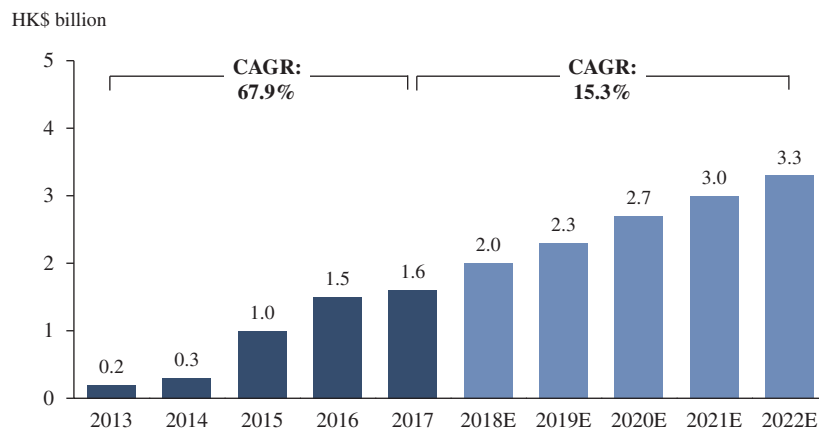
Source: Frost & Sullivan

The distribution market of Japanese animation content in the PRC witnessed a sharp growth from 2013 to 2017, mainly due to the growing awareness of IP protection in the PRC. Foreign content including animation content could not be broadcasted neither on TV nor online without the relevant TV drama distribution licence. In recent years, content without licences of broadcasting were forced to be removed from the online video sites. An increasing number of online video sites started to purchase licences and paid content are more widely accepted among audiences in the PRC. Also, the licensing fee kept an growing trend in recent years and is likely to continue growing in the following several years.

On the other hand, the growth of the market in the PRC is forecast to slow down in the coming several years due to the standardisation of the market. The total revenue of the market is expected to grow from HK\$1.6 billion in 2017 to HK\$3.3 billion in 2022 at a CAGR of 15.3%.

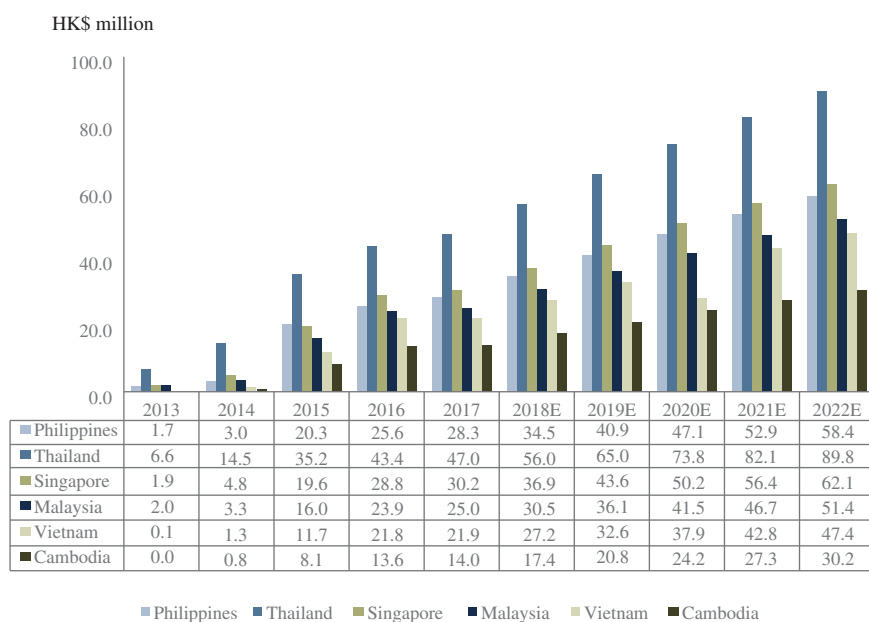
INDUSTRY OVERVIEW

Total revenue of the Japanese animation content distribution market in the PRC, 2013 – 2022E



Source: Frost & Sullivan

Total revenue of Japanese animation content distribution market in Southeast Asia, 2013 – 2022E



Source: Frost & Sullivan

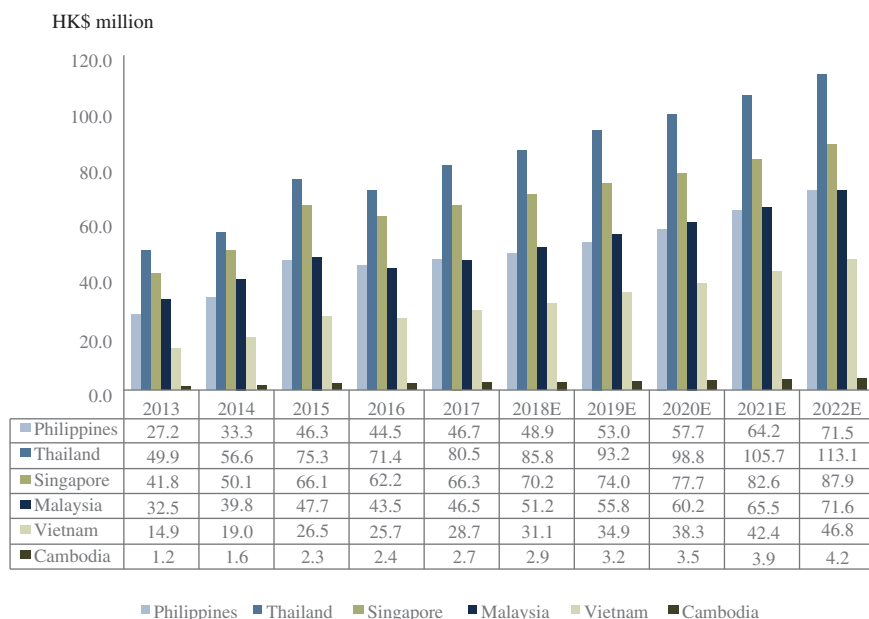
Thailand was the largest market in Southeast Asia Region, accounting for approximately 28.3% of the total market, due to its high penetration rate of Internet users. Singapore was the second largest one with a market size of approximately HK\$30.2 million in 2017. The CAGR of the overall revenue growth of Japanese animation content distribution market in Southeast Asia was 91.8% from 2013 to 2017. From 2017 to 2022, the CAGR is expected to reach 15.3%.

INDUSTRY OVERVIEW

MARKET SIZE OF THE FOREIGN DRAMA DISTRIBUTION MARKET

The market in Thailand accounted for approximately 29.7% of the total market in Southeast Asia. Cambodia shows the fastest CAGR of approximately 21.2% during the period from 2013 to 2017.

Total revenue of foreign drama distribution market in Southeast Asia, 2013 – 2022E



Source: Frost & Sullivan

MARKET SIZE OF THE INFLIGHT ASIAN MOVIE DISTRIBUTION MARKET

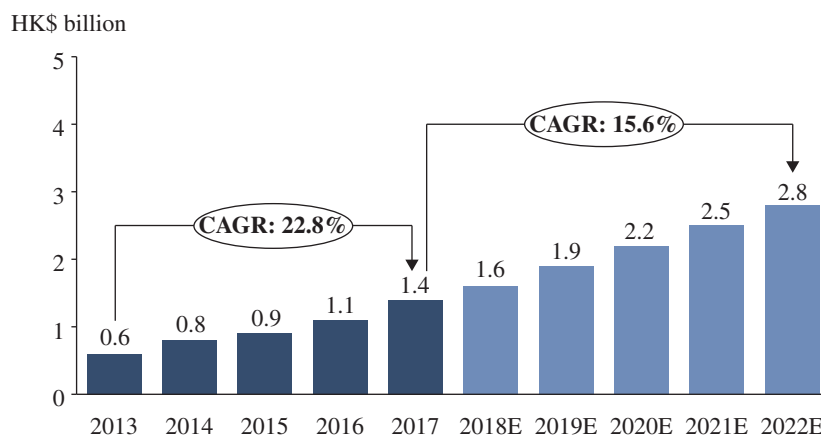
The global inflight Asian movie distribution market increased from approximately HK\$0.6 billion in 2013 to approximately HK\$1.4 billion in 2017, representing a CAGR of approximately 22.8%. Going forward, the market is expected to grow at a CAGR of approximately 15.6%, reaching approximately HK\$2.8 billion in 2022. In recent years, the airline business is continuously developing as the number of aircraft deliveries and the passenger traffic grows. The market of inflight entertainment is becoming increasingly standardised due to the growing demand and increasing awareness of copyrights. The business model of inflight entertainment has also innovated in recent years, the airlines' preference has changed from purchasing single media content separately to entering into long term contracts for the provision of media content. These factors are likely to further drive the global inflight Asian movie distribution market.

INDUSTRY OVERVIEW

The spending of airline companies on inflight entertainment has shown a growth trend in recent years. The spending on media contents by airline companies increased from approximately HK\$8.18 billion in 2013 to approximately HK\$15.3 billion in 2017, representing a CAGR of approximately 17.0%. The market is expected to grow at a CAGR of approximately 10.1% from 2017 to 2022. The spending on Asian movies by airline companies increased from approximately HK\$0.6 billion in 2013 to approximately HK\$1.4 billion in 2017 at a CAGR of approximately 22.8%.

Going forward, the market is likely to follow the growing trend as a result of the increasing demand of inflight entertainment owing to the developing airline business. The spending on Asian movies by airline companies is likely to grow from approximately HK\$1.4 billion in 2017 at a CAGR of approximately 15.6%, reaching approximately HK\$2.8 billion in 2022.

Total revenue of inflight Asian movie distribution global market, 2013 – 2022E



Source: Frost & Sullivan

MARKET SIZE OF THE VOD MARKET

The total revenue of the VOD market in the PRC increased from approximately HK\$11.3 billion in 2013 to HK\$16.2 billion in 2017, growing at a CAGR of approximately 9.5%. The total revenue is expected to increase at a CAGR of 8.8%, reaching a market size of HK\$24.8 billion by 2022.

ANALYSIS ON THE MEDIA CONTENT PRODUCTION MARKET IN THE PRC

The PRC's media content production market mainly consists of film production and TV drama production. With the increasing number of movie screens in the PRC, film production has witnessed a rapid growth pace in recent years. During 2017, the total number of film production was approximately 970. On the other hand, due to the PRC government's imperative on improving the quality of locally produced TV drama, the PRC's TV production volume has

INDUSTRY OVERVIEW

decreased recently. However, the total number of episodes which represent the actual amount of work dedicated to TV drama production increased on a per drama basis. During 2017, the number of TV drama production and episodes of TV drama was 314 and 13,470 respectively. As viewers are increasingly paying attention to the spiritual life with the increasing demand for living quality, the growth of both film production and TV drama production is expected to sustain in the foreseeable future.

MARKET DRIVERS OF THE JAPANESE ANIMATION CONTENT DISTRIBUTION MARKET

Boosting anime, comic and games (ACG) market: the ACG market in the PRC witnessed a fast growth during the past several years. The total revenue of the PRC's ACG industry grew from approximately HK\$105 billion in 2013 to HK\$180 billion in 2017 with a CAGR of 14.5%. The developing ACG market has widened the access to animation content for a larger audience base. Animation is considered as media content that is targeting the kids in the PRC. Nonetheless, the popularity of animation has been increasing among adults in recent years. A growing number of animation content production is now targeting adults. With constantly enlarging audience and user base, the growth of animation content distribution market is also expected to be well supported.

Emerging media channels: the economic development is expected to continue bringing about media development, which supports expanded distribution of animation content. The explosion of new media channels, such as Internet and mobile phones, has significantly reformed the whole ACG industry in the PRC. The main streaming platform of animation is transferring from traditional TV to the Internet. The growing number of online video websites and the prevalence of mobile devices like smartphones, tablet PC and e-book enable wider, further, and more efficiently spread of animation content.

Increasing interest in Japanese animation: Japanese culture has gained its popularity in the PRC. The number of Chinese tourists visiting Japan increased from 2.1 million in 2013 to 9.6 million in 2017 with a CAGR of 46.9% during the period, showing a growing interest of Chinese people towards Japanese culture. Also, being the origin of animation culture, Japanese animation plays an important role in world's animation industry. In line with the growing interest towards Japanese culture, the popularity of Japanese animation is expected to increase in the PRC.

INDUSTRY OVERVIEW

ENTRY BARRIERS TO THE JAPANESE ANIMATION CONTENT DISTRIBUTION MARKET

Capital support: a large amount of initial capital is necessary for purchasing licences of content and marketing when entering the market of animation content distribution. This kind of investment is durative rather than one-time since the companies need to purchase licences for new content constantly in order to be competitive in the market. Minimum guarantee is needed when obtaining licence, and this kind of minimum guarantee is generally set at a high level. Some of the minimum guarantee is higher than the interest of the content. Minimum guarantee is usually paid in cash and hence a large amount of cash is needed for companies in the market. Therefore, it is difficult for new entrants without strong and continual capital support to enter and survive in the market.

Stable relationship with producers: existing distributors generally have established stable relationship with content producers or owners, which ensure the stability of supply chain. For the market of Japanese animation content distribution, it is not easy for new entrants to compete with existing brands with high reputation to establish network with oversea upstream players and obtain licences or distributorships from them.

Business network: established business network and customer relationship can be regarded as a barrier for new entrants in Japanese animation distribution market in the PRC since the downstream market is relatively concentrated as the number of major players is less than 10. Mutual reliance has been developed between distributors with high brand recognition and reputation and their customers. Existing players have already set up stable business networks with key customers based on years of accumulation of trust and good working relationship. Customers also tend to engage distributors who have good track records and more variety of content licence. Thus it is relatively difficult for new entrants to challenge incumbent players and develop their business networks in the initial development stage.

Industry knowhow: leading players in the market has gained a deep industry knowhow through years of operation. With the experience gained in the market, the players are able to follow the latest market trend and select high quality content and thus ensure the distribution of the content. It would not be easy for new entrants without such industry knowhow to deal with the process from selecting content to final distribution.

OPPORTUNITIES AND THREATS OF THE JAPANESE ANIMATION CONTENT DISTRIBUTION MARKET

Opportunities

Developing Japanese animation movie market: compared with the market of TV animation series, the market of theatrical animation is still underdeveloped in the PRC. The market of Japanese theatrical animation witnessed a sharp growth in recent years. Unlike the TV animation series, whose production minutes stayed at a relatively stable level, the production of Japanese animation movie continued to grow in recent years. The growing production and the increasing popularity of Japanese animation movie is expected to drive the Japanese animation content distribution market in the PRC.

INDUSTRY OVERVIEW

Standardisation of the market: The market of Japanese animation content broadcasting in the PRC faced a transformation in recent years. An increasing number of video sites purchase licences to enrich content offer at their sites. As the market has gradually developed an industry standard for purchasing licences, the distribution of content licences will gain its importance in the PRC.

Threats

Development of domestic animation content: during the past several years, domestic animation witnessed a growth in the PRC due to the favourable policy environment. With the support from the PRC government, investment in the industry of domestic animation increased and the production significantly grew during the period. The development of domestic animation content may have an impact on the distribution of foreign content including Japanese animation content.

ANALYSIS ON THE ENTERTAINMENT AND CHARACTER IP LICENSING MARKET IN THE PRC

IP licensing refers to process of licensing a trademark or copyrighted property to extend the use in association with products, services and promotions. The properties could contain various IP types in different nature such as an animated character, a company logo, a song, a fashion brand, etc. Based on IP type, entertainments and character IP licensing can be divided into five major categories: animation, comics, films, TV shows and other online entertainment IP.

IP licensing usually involves two business entities in a contractual licensing agreement: (1) IP licensor or IP licensing agent; and (2) the licensee. The prospective licensee basically pays royalty, fixed at a rate against sales, recoupable against minimum guarantee paid upon the entering the licensing agreement, to IP licensor or IP licensing agent in exchange of the right to use the IP in its products, services or promotions during an agreed time period in a defined geographical area.

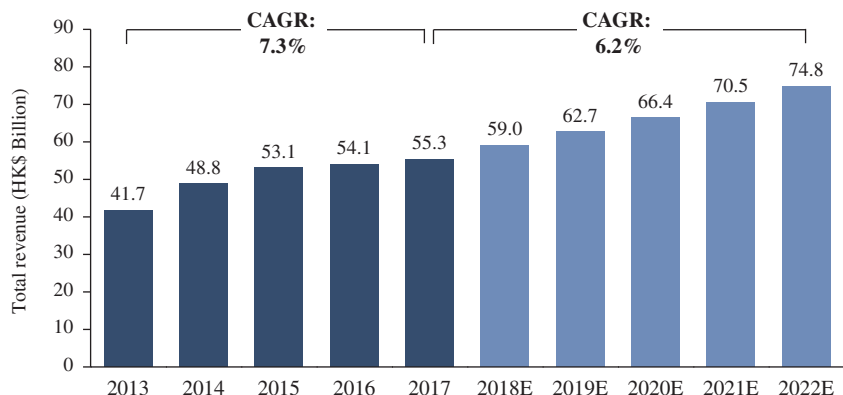
MARKET SIZE OF THE ENTERTAINMENT AND CHARACTER IP LICENSING MARKET

The global market of entertainment and character IP licensing has grew steadily over the past five years. The total revenue generated by the entertainment and character IP licensing business has increased from HK\$41.7 billion in 2013 to HK\$55.3 billion in 2017, representing a CAGR of approximately 7.3%. The U.S. is the world's largest entertainment and character IP licensing market, taking over 50% of market share.

Going forward, the market is expected to keep stable growth pace at a CAGR around 6.2%, reaching HK\$74.8 billion in 2022. The U.S. is most likely to remain the largest market of entertainment and character IP licensing market in a long time period.

INDUSTRY OVERVIEW

Total revenue of the entertainment and character IP licensing global market, 2013 – 2022E

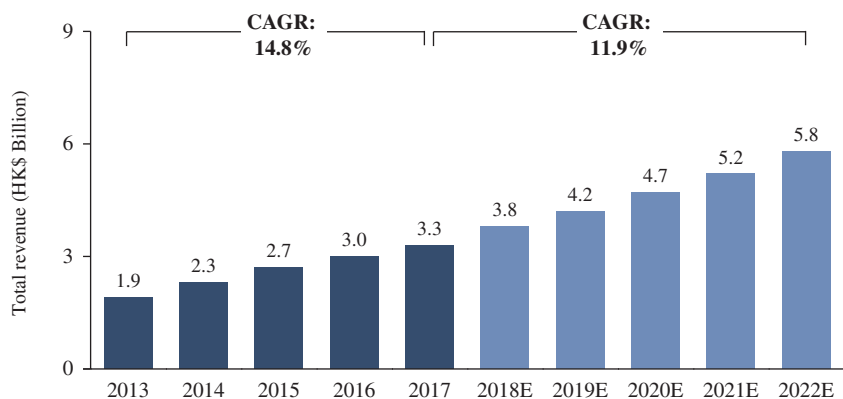


Source: Frost & Sullivan

In 2017, the PRC was the fourth largest market in the entertainment and character IP licensing market and had approximately 3.3% market share in the world. Driven by the increasing consumption ability of consumers in the PRC, the entertainment and character IP licensing market in the PRC has witnessed rapid development in the past five years. PRC consumers are willing to spend more on products they purchase as consumers’ consumption power grows. Consumers nowadays are having an increasingly willingness to consume products with added value such as entertainment and character IP licensing products as consumption concept evolves. The total revenue generated from the entertainment and character IP licensing business has increased from HK\$1.9 billion in 2013 to HK\$3.3 billion in 2017 with a CAGR of 14.8%.

Going forward, the increasing awareness of the importance of IP merchandising to licensors and licensees will also promote the development of the PRC market. The total revenue of the entertainment and character IP licensing market is likely to grow at a CAGR of 11.9% from HK\$3.3 billion in 2017 and to reach HK\$5.8 billion in 2022.

Total revenue of the entertainment and character IP licensing market in the PRC, 2013 – 2022E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

In 2017, the market size of the entertainment and character IP licensing market in the PRC by direct licensing by brand owners was around HK\$1.3 billion, occupying nearly 40% share while the market size by sub-licensing through third-party licensors was around HK\$2.0 billion, occupying approximately 60% share. As there is an increasing number of overseas IPs to be introduced through sub-licensing by the IP owners into the PRC market, it is expected that the share of sub-licensing through third-party licensors in the PRC would experience a slight increase from approximately 60% in 2017 to approximately 63% in 2022.

MARKET DRIVERS OF THE ENTERTAINMENT AND CHARACTER IP LICENSING MARKET

Consumption upgrade: along with the steady development of macro economy, the per capita annual disposable income of PRC urban households has increased from RMB26,955 in 2013 to RMB36,396 in 2017, representing a CAGR of 7.8%. Entertainment and character IP licensing products are usually sold at a higher price than non-IP licensing products. Benefiting from the increasing disposable income, both the consumption level and consuming concept had been gradually improved. Consumers are likely to pay increasing attention to the consumption in more value-added products such as entertainment and character IP licensing products as consumption concept evolves, and they are also more willing to pay premium for IP licensing products than non-IP licensing products as their consumption level increases. Therefore, the increasing consumption level has become a key driver for the growth of entertainment and character IP licensing market in PRC.

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, music and sports team can easily accumulated large number of fans, which had become the main consumption power of IP derivative products or services. IP licensed products in the form of apparels, toys, fashion accessories and games are increasingly market preferred by the large number of IP fans.

Increasing demand from downstream licensees: IP licensing is a high value-added practice for downstream licensees, especially in the animation and comics industry. By licensing the IP rights for use in conjunction with their products or services, the licensees are more likely to sell more of their products or attach their products to their emotion generated by the IP. The increasing demand from downstream licensees is expected to further drive the entertainment and character IP licensing market.

ENTRY BARRIERS TO THE ENTERTAINMENT AND CHARACTER IP LICENSING MARKET

Capital barriers: since an IP usually has a high value, a licensing distributor needs to invest large amount of money to acquire the trademark or copyright licence from the IP owner. As the business scale expands, a licensing distributor requires more capital to acquire more IP licence types. New entrants to the market have invest vast amount of money to be competitive in the entertainment and character IP licensing market.

INDUSTRY OVERVIEW

Upstream IP resources: the amount of IP resources determines the core competitiveness of market players in the entertainment and character IP licensing market. The IP image, IP influence and IP quality are the determining factors on the marketing effects for the downstream licensees. Licensees are more likely to enter contractual agreement with those licensing distributors who have high quality IP resources.

Brand recognition: market players have established a well-known brand names through long-term cooperation with licensors. IP owners are increasingly willing to license their IPs to licensing distributors with good brand names, which are also recognized by downstream licensees.

Professional expertise: a qualified licensing distributor should not only be able to integrate both upstream and downstream resources in the industry, but also has deep know-how in the IP derivative market to maximise the value-added services through IP licensing.

OPPORTUNITIES AND THREATS OF THE ENTERTAINMENT AND CHARACTER IP LICENSING MARKET

Opportunities

Increasing concentration level: currently, the Hong Kong entertainment and character IP licensing market is rather fragmented with many medium-to-small licensing distributors. With the increasing awareness of intellectual properties, the entertainment and character IP licensing market is expected to become more concentrated through merge and acquisition activities. The concentration level of the entertainment and character IP licensing market in the PRC is likely to increase in the coming years.

E-commerce: the rapid development of e-commerce has presented new growth opportunities for the entertainment and character IP licensing market. IP licensed products are no longer limited to traditional offline sales channel, but are increasingly sold through e-commerce platforms. As young people are more used to e-commerce and popular IPs such as animation usually attract more young fans, e-commerce is likely to be the major sales channel and it will gain more market shares in retailers.

Threats

Lower respect of IP rights: although the entertainment and character IP licensing market in the PRC has witnessed rapid growth over the past years, the relatively lower respect of IP rights threatened the healthy development of the market. Low priced copycat commodities greatly affected the economic benefits of licensees, licensing distributors and licensors.

Lack of professional talents: professional talents are the key success factors to the licensing market. Except for the well-known brand name of IP, the accurate match between the licensors and licensees determines the effectiveness of IP licensing. An experienced professional is the link between licensors and licensees. However, there is a lack of such professional talents in the entertainment and character IP licensing market.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

Japanese animation content distribution market

In terms of revenue, the top three players in the PRC together accounted for approximately 34.9% of the Japanese animation content distribution market in the PRC in 2017. The Company led the market and ranked number one among Japanese animation distributors in the PRC in terms of revenue in 2017 accounting for approximately 14.1% of the total market in the PRC.

Top three players of Japanese animation content distribution market by revenue in the PRC, 2017

Ranking	Company name	Market share (%)
1	Our Company	14.1
2	Company A	12.7
3	Company B	8.1
Top three		34.9
Others		65.1
Total		100.0

Source: Frost & Sullivan

Notes:

1. Company A is a company established in Taiwan. Company A focuses on the distribution of animation content and also the IP licensing service.
2. Company B is a company established in the PRC. Company B mainly provides services in the animation content distribution market, the entertainment and character IP licensing and digital business.

Entertainment and character IP licensing market

At the end of 2017, there were approximately over 300 active IP licensors in the entertainment and character IP licensing market in the PRC. However, the number of licensing distributors was less than 100 due to shorter development history. Currently, entertainment/character is the major IP type in the PRC's entertainment and character IP licensing, among which animation and comics characters are the most popular licensed category for licensing distributors in the PRC.

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Company C, an American diversified multinational mass media and entertainment conglomerate, is the largest player in the entertainment and character IP licensing market in the PRC as of 2017. Company C directly licenses its own IP characters to downstream licensees without involving any distributors. The market share of Company C in PRC's entertainment and character IP licensing market was around 25% in 2017. The rest of the market is highly fragmented and our Company occupied nearly 0.2% market share in 2017 in terms of revenue in the PRC market.

REGULATORY OVERVIEW

HONG KONG LAWS AND REGULATIONS

Apart from the general rules and regulations in Hong Kong applicable to our Group, there is no specific regulatory framework in Hong Kong that governs the principal business provided by our Group, namely the Media Content Distribution Business and Brand Licensing Business. The following sets out the general rules and regulations in Hong Kong relating to and applicable to (A) the business operation of our Group; (B) the employment of our Group; and (C) our Group in terms of health and safety obligations towards its employees.

(A) Business operation of our Group

Trade Marks Ordinance (Chapter 559 of the laws of Hong Kong)

The Trade Marks Ordinance is a statute enacted to make provision in respect of the registration of trade marks and for connected matters. The Trade Marks Ordinance provides (amongst other things) that a person infringes a registered trade mark if the person uses in the course of trade or business a sign which is:

- (a) identical to the trade mark in relation to goods or services which are identical to those for which it is registered;
- (b) identical to the trade mark in relation to goods or services which are similar to those for which it is registered; and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public;
- (c) similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered; and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public; or
- (d) identical or similar in relation to goods or services which are not identical or similar to those for which the trade mark is registered; the trade mark is entitled to protection under the Paris Convention as a well-known trade mark; and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

Under the Trade Marks Ordinance, the owner of a trade mark is entitled to bring infringement proceedings against a person infringing his or her trade mark for damages, injunctions, accounts and any other relief available in law.

As at the Latest Practicable Date, our Group registered six trade marks in Hong Kong relating to our Group's business. Our Directors confirm that our Group did not receive any claim for trade mark infringement during the Track Record Period and up to the Latest Practicable Date. For further details of our Group's material intellectual property rights in Hong Kong, see "Appendix V – Statutory and general information – B. Further information about our business – 2. Intellectual property rights of our Group" in this prospectus.

REGULATORY OVERVIEW

Copyright Ordinance (Chapter 528 of the laws of Hong Kong)

The Copyright Ordinance provides comprehensive protection for recognised categories of work such as literary, dramatic, musical and artistic works. Certain copyrights may subsist in the works created by our Group in relation to our Group's artistic works (such as artworks and photos) or literary works (such as text) that qualify for copyright protection without registration.

The Copyright Ordinance restricts certain acts such as copying and/or issuing or making available copies to the public of a copyright work without the authorisation from the copyright owner which, if done, constitutes infringement of copyright.

Inland Revenue Ordinance (Chapter 112 of the laws of Hong Kong)

The Inland Revenue Ordinance is an ordinance enacted for the purposes of imposing taxes on property, earnings and profits in Hong Kong.

The Inland Revenue Ordinance provides, among other things, that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his or her assessable profits arising in or derived from Hong Kong at the standard rate, which stood at 16.5% for corporate taxpayers as at the Latest Practicable Date. The Inland Revenue Ordinance also contains detailed provisions relating to, among other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation of capital assets.

(B) Employment of our Group

Employment Ordinance (Chapter 57 of the laws of Hong Kong)

The Employment Ordinance is the main piece of Hong Kong legislation governing conditions of employment in Hong Kong. It provides for the payment of wages, the restrictions on wages deductions, the granting of statutory holidays, and the termination of employment contract, among other things. In addition to these basic protections, employees who are employed under a continuous contract are further entitled to benefits such as rest days, paid annual leave, sickness allowance, severance and long service payment.

Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong)

The Minimum Wage Ordinance stipulates that an employee is entitled to be paid wages no less than the statutory minimum wage rate during the wage period. Currently, the statutory minimum hourly wage rate is HK\$34.5. Any employment contract that purports to extinguish or reduce any right, benefit, or protection conferred on the employee by the Minimum Wage Ordinance is void. Failure to comply with the statutory minimum wage rate requirement constitutes an offence under the Employment Ordinance.

REGULATORY OVERVIEW

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong)

The Mandatory Provident Fund Schemes Ordinance provides for the establishment of non-governmental mandatory provident funds (“MPF”) schemes for members of the workforce for the purpose of accruing financial benefits on retirement, among other things.

Employers are required to enrol their employees (except for certain exempted persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a MPF scheme. Employers and employees are each required to make regular mandatory contributions of 5% of the employees’ relevant income to the MPF scheme, subject to the minimum and maximum relevant income levels, which are currently HK\$7,100 per month and HK\$30,000 per month respectively, provided, however, that employees with a monthly relevant income less than HK\$7,100 are exempt and only the employers are required to make contributions to the MPF scheme.

(C) Our Group’s obligations towards employees in respect of health and safety

Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong)

The Occupational Safety and Health Ordinance provides for the protection of health and safety of employees in workplaces, both industrial and non-industrial, and is therefore applicable to our Group’s employees in general. Among other things, the employer must, as far as reasonably practicable, ensure the safety and health at work of all its employees by:

- (a) providing and maintaining plant and work systems that are, so far as reasonably practicable, safe and without risks to health;
- (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) providing all necessary information, instruction, training and supervision to employees as may be necessary to ensure, so far as reasonably practicable, safety and health;
- (d) as regards any workplace under the employer’s control, maintaining the workplace in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from the workplace that are safe and without risks to health; and
- (e) providing and maintaining work environment that is, so far as reasonably practicable, safe and without risks to health.

Failure to comply with the above statutory duty constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly, or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

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Occupiers Liability Ordinance (Chapter 314 of the laws of Hong Kong)

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance also imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Employees' Compensation Ordinance (Chapter 282 of the laws of Hong Kong)

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. The Employees' Compensation Ordinance in general applies to all full-time and part-time employees who are employed under a contract of service or apprenticeship in any employment. Employees who are injured while working outside Hong Kong are also covered if they are employed in Hong Kong by an employer carrying on business in Hong Kong.

Under section 40 of the Employees' Compensation Ordinance, all employers are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees for an amount not less than the applicable prescribed amount. Currently, the applicable amount is HK\$100 million per event where the number of employees in relation to whom the policy is in force does not exceed 200, and the applicable amount is HK\$200 million per event where the number of employees in relation to whom the policy is in force exceeds 200. An employer who fails to comply with the compulsory insurance requirement commits an offence and is liable on conviction upon indictment to a level 6 fine (currently HK\$100,000 and to imprisonment for 2 years.

The Employees' Compensation Ordinance provides for payment of compensation to employees who are injured in the course of employment. An employer is potentially liable to pay compensation in respect of personal injuries sustained by his employees by accident arising out of and in the course of employment, as well as in respect of total or partial incapacity or death of an employee resulting from occupational diseases.

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THE PRC LAWS AND REGULATIONS

(A) Foreign investment

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law (《中華人民共和國公司法》) (the “**PRC Company Law**”) which was promulgated by the Standing Committee of the National People’s Congress (the “**Standing Committee of the NPC**”) on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018. Pursuant to the PRC Company Law, companies are classified into limited liability companies and joint stock limited company. Foreign-invested companies, both limited liability companies and joint stock limited company, are also regulated by the PRC Company Law, except for where foreign investment related rules and regulations regulate otherwise.

The Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) (the “**Wholly Foreign-owned Enterprise Law**”) which was promulgated on 12 April 1986 and became effective on the same day, and was subsequently amended on 31 October 2000 and 3 September 2016, and the Implementation Regulations of the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) (the “**Implementation Regulations**”) which was promulgated on 12 December 1990 and became effective on the same day, and was subsequently amended on 12 April 2001 and 19 February 2014 govern the establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labour issue of a wholly foreign-owned enterprise.

The PRC government directs the investment orientation of all types of enterprises in different industries within the territory of the PRC by means of formulating the Catalogues of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) (the “**FI Catalogues**”) and the Special Administrative Measures for Access of Foreign Investments (Negative List for Access of Foreign Investments) (《外商投資准入特別管理措施(負面清單》)) (the “**Negative List**”). The latest Catalogues of Industries for Guiding Foreign Investment (2017 Amendment) (外商投資產業指導目錄(2017年修訂)) was promulgated by the National Development and Reform Commission together with the Ministry of Commerce on 28 June 2017 and became effective on 28 July 2017, and the latest Special Administrative Measures for Access of Foreign Investments (Negative List for Access of Foreign Investments(2018 Version)) (《外商投資准入特別管理措施(負面清單)(2018修訂》)) was promulgated by the National Development and Reform Commission and the Ministry of Commerce on 28 June 2018 and became effective on 28 July 2018. The FI Catalogues and the Negative List divide industries into three categories: encouraged, restricted, prohibited and all industries not listed under one of these categories are deemed to be permitted.

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On 15 March 2019, the Standing Committee of 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 will come into force as of 1 January 2020. Foreign Investment Law, upon taking effect, will repeal simultaneously the Law of the People’s Republic of China on Sino-foreign Equity Joint Ventures, the Wholly Foreign-owned Enterprise Law and the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures. Subject to the Foreign Investment Law, foreign invested enterprises may keep their original organizational forms for five years after the effectiveness of the Foreign Investment Law.

(B) Intellectual property

The Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”), promulgated on 7 September 1990 and became effective on 1 June 1991, and was subsequently amended on 27 October 2001 and 26 February 2010, protects the author’s copyright of their artistic works and copyright-related rights and interests. The Regulations for the Implementation of Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) was promulgated on 2 August 2002 by the State Council and became effective on 15 September 2002, and was subsequently amended on 8 January 2011 and 30 January 2013. According to the Copyright Law, the “work(s)” include engineering design drawings and product design drawings. Works of Chinese citizens, legal entities or other organisations, whether published or not, shall enjoy copyright in accordance with the Copyright Law. Unless otherwise provided in the Copyright Law, reproducing, distributing, performing, showing, broadcasting, compiling or communicating to the public on an information network a work created by another person, without the permission of the copyright owner, constitute the acts of infringement of the Copyright Law. The infringer shall bear civil liability for such remedies as ceasing the infringing act, eliminating the effects of the act, making an apology or paying damages, depending on the circumstances and may, if applicable, be subjected to such penalties as imposing a fine, confiscating unlawful income from the act, destroying infringing reproductions and confiscating other properties used for the relevant unlawful activities.

(C) Tax

Enterprise income tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) which was promulgated on 16 March 2007 and became effective on 1 January 2008, and was subsequently amended on 24 February 2017 and 29 December 2018, respectively, and the Implementation Rules of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated on 6 December 2007 and became effective on 1 January 2008, enterprises are classified as either resident enterprises or non-resident enterprises for tax purpose. Resident enterprises are enterprises which have been formed in the PRC in accordance with domestic law, or which have been formed in accordance with the law of a foreign country but which are actually under the control of institutions in the PRC. A resident enterprise must pay enterprise tax on its worldwide income a rate of 25%. A non-resident enterprise which has established agencies or offices in China shall pay enterprise income tax on its income earned by such agencies or offices from inside China, and its income

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which is earned outside China but is actually associated with such agencies or offices, the rate of enterprise income tax is 25%. A non-resident enterprise which has not established agencies or offices in China, or which has established agencies or offices in China but whose income has no association with such agencies or offices shall pay enterprise income tax on its income earned from inside China, the rate of enterprise income tax is 10%.

The PRC and the government of Hong Kong entered into the Protocol IV to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes 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第四議定書》) (the “**Arrangement**”) on 1 April 2015, which was made public on 9 March 2016. According to the Arrangement, 5% withholding tax rate shall apply to the dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company, and 10% shall apply if the Hong Kong resident holds less than 25% of the equity interests in a PRC company.

Pursuant to the Circular on Relevant Issues Relating to the Implementation of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the State Administration of Taxation and became effective on 20 February 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner’s equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

According to the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements (《非居民納稅人享受稅收協定待遇管理辦法》), which was promulgated by the State Administration of Taxation on 27 August 2015 and became effective on 1 November 2015 and latest revised on 15 June 2018, where a non-resident enterprise that receives dividends from a Chinese resident enterprise wishes to enjoy the favourable tax benefits under the tax arrangements shall submit related forms and materials to the competent tax authority.

Value-added tax

Organisations and individuals, who sell commodities, provide processing services, repair and replacement services, or import commodities within the territory of the PRC are subject to value-added tax (增值稅) (the “**VAT**”) in accordance with the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (the “**Provisional Regulations on VAT**”) which was promulgated by the State Council of the PRC (國務院) on 13 December 1993 and became effective on 1 January 1994, and was subsequently amended on 10 November 2008, 6 February 2016 and 19 November 2017, and the Implementation Rules of the Interim Regulations on Values-added Tax (《中華人民共和國增值稅暫行條例實施細

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則》) which was promulgated by the Ministry of Finance of the PRC and became effective on 25 December 1993, and was subsequently amended on 15 December 2008 and 28 October 2011. The rate of the VAT is 17%, 11% or 6%, depending on the goods being sold. For taxpayers exporting goods, the tax rate is 0% except as otherwise stipulated by the State Council.

Notice 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》), which was promulgated on 4 April 2018 and became effective on 1 May 2018, provides the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

Foreign currency exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Administration Rules**”) which was promulgated by the State Council of the PRC on 29 January 1996 and became effective on 1 April 1996, and subsequently amended on 14 January 1997 and 5 August 2008. Under these regulations, upon payment of the applicable taxes, foreign-invested enterprises may convert the dividends they receive in RMB into foreign currencies and remit such amounts outside the PRC through their foreign exchange bank accounts.

On 19 November 2012, the State Administration of Foreign Exchange (the “**SAFE**”) promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (“**SAFE Circular 59**”), which became effective on 17 December 2012, and was subsequently amended on 4 May 2015 and 10 Oct 2018 by the Notice by the State Administration of Foreign Exchange of Announcing the Repealing and Invalidation of Certain Regulatory Documents and Relevant Clauses on Foreign Exchange Administration. SAFE Circular 59 substantially amends and simplifies the current foreign exchange procedure. According to SAFE Circular 59, the opening of various special purpose foreign exchange accounts (e.g. pre-investment expenses account, foreign exchange capital account, asset realisation account, guarantee account) no longer requires SAFE's approval. Furthermore, multiple capital accounts for the same entity may be opened in different provinces. Reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment) no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer requires SAFE's approval.

On 30 March 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《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通知》) (“**SAFE Circular 19**”), which became effective on 1 June 2015. According to SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises (the “**FIE**”) shall be subject to

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a discretionary foreign exchange settlement (the “**Discretionary Foreign Exchange Settlement**”). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an FIE for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) and can be settled at the banks based on the actual operational needs of the FIE. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of an FIE is temporarily determined as 100%. RMB converted from a foreign exchange capital will be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Pursuant to Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《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**”), which was promulgated by SAFE on 13 February 2015 and became effective on 1 June 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment will be directly reviewed and handled by banks in accordance with SAFE Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

Labour and safety

According to the PRC Labour Law (《中華人民共和國勞動法》) promulgated on 5 July 1994 and became effective on 1 January 1995, and amended on 27 August 2009 and 29 December 2018, respectively, workers are entitled to fair employment, choice of occupation, labour remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. The working time for workers may not exceed eight hours a day and no more than 44 hours a week on average. Wages paid by employers may not be lower than the local minimum wage. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation and provide employees with a working environment that meets the national work safety and sanitation standards.

According to the PRC Labour Contract Law (《中華人民共和國勞動合同法》) which was promulgated in 29 June 2007 and became effective on 1 January 2008, and amended in 28 December 2012, and its implementation regulations which was promulgated and became effective on 18 September 2008, labour contracts must be executed in writing to establish labour relationship between employers and employees. Employees who fulfil certain criteria, including having worked for the same employer for 10 years or more, may demand that the employer execute a permanent labour contract. Both employers and employees must perform their respective obligations stipulated in the labour contracts.

Pursuant to the PRC Social Insurance Law (《中華人民共和國社會保險法》) which was promulgated on 28 October 2010 and became effective on 1 July 2011, and latest revised on 29 December 2018, employers in the PRC must register with the relevant social insurance authority and make contributions to the pension insurance fund, basic medical insurance fund, unemployment insurance fund, maternity insurance fund and work-related injury insurance fund. Pursuant to the PRC Social Insurance Law, pension insurance, basic medical insurance

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and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf of the employees. Employers who fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period. If the employer fails to rectify the failure to register within a specified time period, a fine of one to three times the actual premium may be imposed. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall within the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times the unpaid amount owed to the relevant administrative agency.

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated and became effective on 3 April 1999, and amended on 24 March 2002, a unit (including a foreign investment enterprise) shall undertake the registration with the administrative centre of housing provident funds and pay the funds for their staff. If an employer, in violation of the aforesaid regulations, fails to undertake registration or to open the housing provident funds account for its employees, the administrative centre of housing provident funds shall impose an order for completion within prescribed time limit, if such employer further fails to process within the aforesaid time limit, a fine may be imposed. On the other hand, if a unit, in violation of the aforesaid regulations, fails to pay or to fully pay the housing provident funds, the administrative centre of housing provident funds will impose an order for payment within a prescribed time limit, if such unit further fails to make payment within the aforesaid time limit, the centre shall have the right to apply for compulsory enforcement in court.

JAPAN LAWS AND REGULATIONS

(A) Corporate formation

Various laws and regulations in Japan govern the formation of a joint stock company (Kabushiki Kaisha). The following section sets out the general requirements for the incorporation of such a company.

Companies Act

Under the Companies Act, in order to set up the joint stock company, the constitutional documents of the corporation, i.e. the articles of incorporation (“**teikan**”), must first be prepared and executed by a promoter. There are matters to be included in the articles of incorporation such as business objectives or corporate name, and the articles of incorporation cannot be effectively executed if such information is missing. After preparation of the articles of incorporation, the articles of incorporation must be notarised by a notary public. The promoter must subscribe for at least one share among the shares to be issued upon the incorporation and make the contribution for shares subscribed by him/her without delay after subscription.

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Registration of incorporation and notifications

The incorporation of the joint stock company is legally effective upon a registration of incorporation with the Legal Affairs Bureau. Such the registration must be applied for within two weeks from the date of the contribution made by the promoter.

Under the Japanese Foreign Exchange and Foreign Trade Act (“**FEFTA**”), notification of a share acquisition (10% or more of the total number of outstanding shares of the incorporated joint stock company) to the Bank of Japan is required by the fifteenth (15th) day of the following month of any purchase of shares. The incorporation of a joint stock company by a foreign investor commonly results in holding 100% shares of the joint stock company and it must comply with this notification requirement.

Additionally, if the joint stock company incorporated by the foreign investor conducts a business for national interests as specified by the schedule of the FEFTA, then separately from the aforementioned notification, a prior notification must be made within 6 months prior to the contemplated acquisition of shares.

After the incorporation of the joint stock company, certain notifications must be submitted to the relevant national and regional tax office, including notification as to the incorporation of a taxable entity and incorporation of a salary-paying office.

(B) Laws relating to our business

Under Japanese law, our Media Content Distribution Business and Brand Licensing Business is not regulated and does not require approvals, registrations or permissions from any Japanese governmental authorities for operation. To the extent that Japanese regulations would apply, they generally only apply to the provision of SVOD services in Japan and do not have extraterritorial effect. Accordingly, the provision of SVOD services using foreign servers and targeted at foreign customers, including in jurisdictions like Hong Kong and a business model similar to ours would not be captured by the relevant Japanese regulations discussed in this section. The following sets out the general rules and regulations in Japan most relevant to our business operations in Japan (extraterritoriality concerns notwithstanding).

Consumer protection regulations

Japan has several regulations related to consumer protection, and chief among them are (a) the Consumer Contract Act, (b) the Act on Specified Commercial Transactions and (c) the Act on Unjustifiable Premiums and Misleading Representations (together, the “**CPRs**”). In general, Japan’s Consumer Affairs Agency is responsible for administering the CPRs and has general authority to investigate and provide guidance in the event of a breach of certain obligations under these CPRs. Breach of the CPRs could result in fines or imprisonment if the breach is serious. Importantly, however the CPRs only target transactions with Japanese consumers and transactions with consumers outside of Japan or at the B2B level are generally deemed out of scope. While SVOD services are provided only to consumers located outside of

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Japan and our B2B Media Content Distribution Business and Brand Licensing Business is not consumer facing, these CPRs are not applicable to our current business model. Nevertheless, the following sets out the general obligations under each of the CPRs.

Consumer Contract Act (“CCA”)

Among other things, the CCA governs consumer contracts between business operators and Japanese consumers and stipulates certain rights for Japanese consumers. For example, the CCA provides consumers with a right to rescind the contract if a business operator undertakes certain improper actions, such as making misrepresentations during the solicitation process prior to entering into the contract. In addition, “unfair” provisions which impair the interests of consumers are deemed void. The CCA would apply in any consumer facing transaction, however since our SVOD services are not Japanese consumer facing and the Media Content Distribution Business/Brand Licensing Business is primarily B2B in nature these regulations do not currently apply to our business model.

Act on Specified Commercial Transactions (“SCTA”)

Among other things, the SCTA protects Japanese consumers from certain sales tactics which are deemed predatory and otherwise make consumers susceptible to making unwanted purchases as well as other sales methods which are likely to result in misunderstandings regarding the nature of the contractual obligations at issue in the transaction, the goods and services being purchased, or the payment amounts due. The SCTA thus primarily targets door-to-door sales, online sales, certain mail ordering solicitations, and telephone solicitations for regulation. The SCTA prohibits certain activities such as intimidating and confusing solicitations, and in order to better protect consumers from these predatory practices, the SCTA permits consumers to cancel the contract for any or no reason during a certain period after executing a contract as a result of certain foregoing activities. Since our SVOD services are not otherwise Japanese consumer-facing and our Media Content Distribution Business/Brand Licensing Business is primarily B2B in nature, the regulations of the SCTA do not currently apply to our business model.

Act against Unjustifiable Premiums and Misleading Representations (“UPMRA”)

The UPMRA regulates the provision of premiums (i.e. economic benefits given to Japanese customers as an inducement to purchase a particular product) as well as misleading representations in connection with transactions with Japanese consumer in goods or services. The UPMRA aims to prevent consumers from buying poor quality or overpriced goods or services as a result of offers of extra incentives and additional services in lieu of lower prices or due to advertisements which represent that the goods or services at issue are better or more beneficial than in reality. Engaging in these activities, especially with regard to misleading representations, can result in significant administrative penalties. Since our SVOD services are not otherwise Japanese consumer-facing and Media Content Distribution Business/Brand Licensing Business is primarily B2B, the regulations of the UPMRA do not currently apply to our business model.

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Telecommunications Business Act (“TBA”)

Among other things, the TBA requires business operators providing intermediary telecommunications services for other parties to register with or provide notice to the relevant local office of the Ministry of Internal Affairs and Communications (the regulatory body tasked with supervising telecommunications service providers) depending on the scope and scale of the telecommunication business operations undertaken. The provision of telecommunications services without registration or notification is subject to imprisonment for a maximum of three (3) years and maximum fines of JPY two (2) million. However, this registration/notification requirement only applies to business operators who provide intermediary telecommunications services to others, and parties who only make use of such telecommunications services for their own business such as by providing their content on-line (e.g. SVOD services) and for communicating with their customers are not required to register themselves or provide notification to the regulator. Since we do not intermediate communications others with our SVOD services, our business would not be subject to this registration/notification requirement.

Japanese Copyright Act (“JCA”)

Under the JCA, a copyright attaches to a work from the moment of creation and registration is not required. Since there is no publicly available register of copyright holders, the only method of confirming the chain of title for copyrighted material is to examine the relevant contracts to confirm ownership of the copyright and the legitimacy of any licensors and/or licensees. In addition to the creation of copyright itself, associated rights (such as the rights of performers, phonogram producers, broadcasters and wire diffusers) as well as moral rights of authors are also recognised under the JCA. Notably, however, there are no extraterritorial criminal penalty clauses under the JCA, which further limits the exposure of our company (even though as noted above, our general exposure to violations of copyright law would be minimal if non-existent due to our confidence in our licensing regimes).

HISTORY AND DEVELOPMENT

Our development

The business and operations of our Group are carried mainly through two segments, namely our (i) Media Content Distribution Business; and (ii) Brand Licensing Business.

Our Group was founded by Ms. Lovinia Chiu. Prior to founding our Group in 2000, Ms. Lovinia Chiu started her career in 1988 in media program distribution as a marketing assistant at a private Hong Kong company engaged in content distribution. Subsequently, Ms. Lovinia Chiu started to conduct media content distribution and its related licensing business in 1994 through a predecessor of our Group, namely Medialink International Limited, a private Hong Kong company, the incorporation and the initial operation of which were funded by her personal resources. In 2000, Ms. Lovinia Chiu repositioned her business to cater for business expansion in media content distribution arm and brand licensing arm. Since then, she had set up a number of new companies, each of which has a clear focus in either Media Content Distribution Business or Brand Licensing Business. For details of these new companies, please see “Our subsidiaries” in this section below. To streamline the corporate structure, the aforesaid predecessor of our Group was dissolved by members’ voluntary winding up in 2009 and was excluded from our Group. As part of the aforesaid business expansion strategy, MPL and MEL which formed part of our Group and conducted Media Content Distribution Business had acquired and distributed media content not only relating to animation series, but also variety shows, drama series and feature films. MFE and a few other subsidiaries were also set up as part of our Group which focused on character and brand licensing in the Asian region. In August 2000, MAIL (which was not part of our Group back then) was incorporated and jointly held by Ms. Lovinia Chiu and her sister, namely Ms. Noletta Chiu to engage in brand licensing business. In order to gain complete control over MAIL, in August 2018, Ms. Lovinia Chiu acquired the remaining 50% shareholding interest in MAIL from Ms. Noletta Chiu and MAIL has become our wholly owned subsidiary. In addition to the “Garfield”, “Peppa Pig” and “ROBOCAR POLI” which were licensed through the some of our other subsidiaries, since the completion of the MAIL Acquisition our Group through MAIL, has become involved in the licensing of various internationally renowned brands such as “Le Petit Prince”, “MONOPOLY”, “Moomin”, “Mr. Men Little Miss”, “PJ Masks” and “TRANSFORMERS”, the licensing rights for which were held by MAIL.

Riding on the success of our Media Content Distribution Business, our Group started to co-invest in the first drama with a Taiwanese company in 2010. Over the last few years, we further expanded our business to co-invest with other media companies in various media content production.

Ms. Lovinia Chiu, our founder, chairman of our Board, an executive Director and chief executive officer of our Company, is an entrepreneur and has almost 30 years of experience in the content distribution industry, see “Directors and senior management” in this prospectus for more details.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Milestones

The following table summarises various key milestones in our development:

Year	Event
September 2000	Our Group was established in Hong Kong.
April 2001	We expanded our business into theatrical releases in cinemas in Hong Kong, such as “INITIAL D Third Stage”.
June 2005 – September 2007	Our Group obtained certain licensing rights of Korean and Taiwanese TV drama series and expanded into home video release business to distribute “Coffee Prince”, “Meteor Garden”, “My Girl” and “The Prince Who Turns Into a Frog” in certain territories.
March 2007	Our first overseas office started operations in Singapore.
August 2010	Our Group entered into an agreement with Paws Incorporated, the owner of a US brand – “Garfield”, to act as its agent in the PRC, Hong Kong, Macau and Taiwan.
October 2010	Our Group first co-invested in the live-action TV drama with a Taiwanese company.
October 2012	Our Group first obtained new rights to exhibit the media content, such as VOD rights, live streaming and catch up rights and IPTV rights.
December 2014	Our Group entered into an agreement with Entertainment One UK Limited, the owner of a UK brand – “Peppa Pig”, to act as its agent in Southeast Asia markets.
January 2015	Our Group first co-invested in the Japanese animation series “Seisen CERBERUS”.
September 2015	Our Group first entered into the inflight entertainment media content business.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
July 2016	Our Group started cooperation with TVB Group to licence to TVB Group VOD rights to use our licensed animation content under our proprietary “Ani-One” brand in Hong Kong on the OTT platform of “myTV SUPER”, an online media platform operated by TVB Group.
November 2016	Our Group entered into an agreement with ROI VISUAL Co., Ltd., the owner of a South Korean brand, “ROBOCAR POLI”, to act as its agent in the Southeast Asia market.
April 2018	We extended our proprietary “Ani-One” brand to Malaysia and Brunei by cooperating with SMG Entertainment Sdn Bhd, (a subsidiary of the Star Media Group Berhad (MYX: 6084)) which operates a VOD service known as “dimsum”.
August 2018	Upon completion of the MAIL Acquisition, we were involved in the licensing of renowned brands such as “Le Petit Prince”, “MONOPOLY”, “Moomin”, “Mr. Men Little Miss”, “PJ Masks” and “TRANSFORMERS”.

OUR COMPANY

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 October 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On its incorporation, our Company allotted and issued one subscriber share, fully paid, to the initial subscriber, and such one Share was subsequently transferred to RLA, a company wholly owned by Ms. Lovinia Chiu at par value, fully paid on the same day.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR SUBSIDIARIES

During the Track Record Period, we conducted our business mainly through our subsidiaries and branches, corporate information of which is shown below:

Name of the entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Date of commencement of business	Percentage of shareholding interests held by our Company as at the Latest Practicable Date	Principal business activities
MAIL ^(Note 1)	Hong Kong	11 August 2000	11 August 2000	100%	Brand Licensing Business
MPL	BVI	27 September 2000	27 September 2000	100%	Media Content Distribution Business (Inactive)
MEL	Hong Kong	13 October 2000	13 October 2000	100%	Media Content Distribution Business
MFE	Hong Kong	11 July 2001	11 July 2001	100%	Brand Licensing Business
MSG	Singapore	21 August 2006	21 August 2006	100%	Brand Licensing Business
MAL ^(Note 2)	Samoa	2 October 2009	2 October 2009	100%	Investment holding
MSH ^(Note 3)	Shanghai, The PRC	14 September 2012	14 September 2012	100%	Brand Licensing Business with support service to members of the Group
WSH	Hong Kong	4 December 2015	4 December 2015	100%	Investment holding
MHL	Hong Kong	29 July 2016	29 July 2016	100%	Investment holding
WSJ	Japan	3 April 2017	3 April 2017	100%	Investment in animation and movie projects

Notes:

1. MAIL has become our wholly owned subsidiary after completion of the MAIL Acquisition.
2. MAL conducted its Brand Licensing Business through MALTW, a branch which was established in Taiwan on 4 June 2010. MALTW was not a separate legal entity and its liabilities were assumed by its parent company, MAL.
3. MSH conducted its Brand Licensing Business through MSHBJ, a branch which was established in Beijing of the PRC on 11 March 2014. MSHBJ was not a separate legal entity and its liabilities were assumed by its parent company, MSH.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CHANGES IN THE SHAREHOLDING STRUCTURE OF OUR SUBSIDIARIES

We describe below the changes in the shareholding structure of our subsidiaries, from the commencement of the Track Record Period and up to the date immediately prior to the Reorganisation.

Our subsidiaries which engage in Media Content Distribution Business

MEL

MEL was incorporated in Hong Kong on 13 October 2000 as a limited liability company with an issued share capital of HK\$10,000. Upon incorporation, one share in MEL was allotted and issued to each of Silvermax Development Limited and Super Pacific Capital Limited.

On 28 November 2000, Ms. Lovinia Chiu acquired the entire interest in Silvermax Development Limited and Ms. Noletta Chiu (as nominee of Ms. Lovinia Chiu) acquired the entire interest in Super Pacific Capital Limited and held the entire interest in Super Pacific Capital Limited on trust for Ms. Lovinia Chiu. The nominee shareholding arrangement was in place as a result of the then statutory requirement for a minimum of two shareholders under the Companies Ordinance.

On 30 November 2000, eight additional shares in MEL were issued to Ms. Lovinia Chiu. As a result, since 30 November 2000 and up to the date immediately prior to the Reorganisation, Ms. Lovinia Chiu held 90% of the beneficial interest in MEL and through Ms. Noletta Chiu as a nominee shareholder, held the remaining 10% of the beneficial interest in MEL.

MPL

MPL was incorporated in the BVI as an international business company with limited liability on 27 September 2000 with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. Since the date of its incorporation and up to the date immediately prior to the Reorganisation, MPL was wholly owned by Ms. Lovinia Chiu. MPL was inactive during the Track Record Period.

Our subsidiaries which engage in Brand Licensing Business

MFE

MFE was incorporated in Hong Kong on 11 July 2001, a limited liability company with an issued share capital of HK\$10,000. It was known as Smartlink Trading Limited at the time of its incorporation until it changed its name to MFE on 5 November 2001. At the time of its incorporation, it was held as to 50% by Team Victoria Limited and 50% by Gold Regal Development Limited.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 26 March 2004, Ms. Lovinia Chiu acquired the entire interest in Team Victoria Limited while Ms. Wong Wai Han (the mother of Ms. Lovinia Chiu) as nominee of Ms. Lovinia Chiu acquired the entire interest in Gold Regal Development Limited and held the entire interest in Gold Regal Development Limited on trust for Ms. Lovinia Chiu. The nominee shareholding arrangement was in place as a result of the then statutory requirement for a minimum of two shareholders under the Companies Ordinance. Since then and up to the date prior to the Reorganisation, Ms Lovinia Chiu held 50% of the beneficial interest in MFE and through Ms. Wong Wai Han as a nominee shareholder, held the remaining 50% of the beneficial interest in MFE.

MSG

MSG was incorporated in Singapore as an exempt private company limited by shares on 21 August 2006 with an issued share capital of SGD10.00. Since March 2007 and up to the date immediately prior to the Reorganisation, MSG was wholly owned by Ms. Lovinia Chiu.

MAL

MAL was incorporated in Samoa as an international company on 2 October 2009 for investment holding with an initial authorised share capital of US\$1,000,000 divided into 1,000,000 shares of US\$1.00 each. MAL conducted its Brand Licensing Business through MALTW, a branch which was established in Taiwan on 4 June 2010.

One share of US\$1.00 was issued and allotted to Offshore Incorporations (Samoa) Limited, the initial subscriber, at par on the date of its incorporation, which then transferred that one share to Ms. Lovinia Chiu on 3 October 2009. Upon completion of the transfer and up to the date immediately prior to the Reorganisation, MAL was wholly owned by Ms. Lovinia Chiu.

MSH

MSH was established in the PRC on 14 September 2012 with a registered capital of US\$100,000, which was subsequently increased to US\$850,000 in August 2013. From the date of its establishment and up to the date immediately prior to the Reorganisation, MSH was wholly owned by MFE. MSH conducted its Brand Licensing Business through MSHBJ, a branch which was established in Beijing of the PRC on 11 March 2014.

Our subsidiaries which engage in investment business

WSH

WSH was incorporated in Hong Kong on 4 December 2015 as a limited liability company with an issued share capital of HK\$100. Since the date of its incorporation and up to the date immediately prior to the Reorganisation, WSH was held as to 85% by Ms. Lovinia Chiu and 15% by Ms. Noletta Chiu.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

MHL

MHL was incorporated in Hong Kong on 29 July 2016 as a limited liability company with an issued share capital of HK\$1,000. Since the date of its incorporation and up to the date immediately prior to the Reorganisation, MHL was wholly owned by Ms. Lovinia Chiu.

WSJ

WSJ was incorporated in Japan as a joint stock company on 3 April 2017 with a stated share capital of JPY5,000,000. Since the date of its incorporation and up to the date immediately prior to the Reorganisation, WSJ was wholly owned by WSH.

Major acquisitions and disposals

Acquisition of 15% shareholding interest in WSH

For details, please see “Reorganisation – Corporate structure immediately prior to the Reorganisation – Acquisition of 15% shareholding interest in WSH by Ms. Lovinia Chiu” in this section.

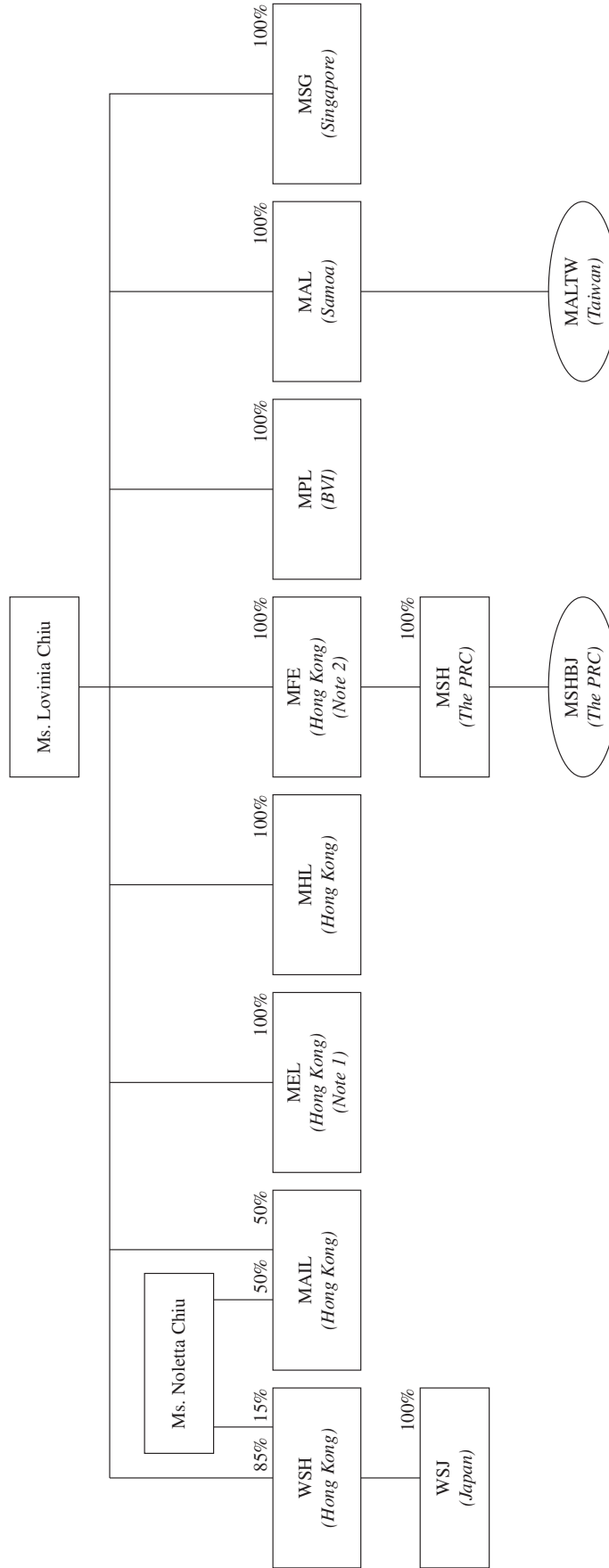
Acquisition of the entire shareholding interest in MAIL

MAIL was incorporated in Hong Kong on 11 August 2000 as a limited liability company with an issued share capital of HK\$10,000. Since the date of its incorporation and up to the date immediately prior to the Reorganisation, MAIL was held as to 50% by Ms. Lovinia Chiu and 50% by Ms. Noletta Chiu. For details of the acquisition of MAIL, please see “Reorganisation – Corporate structure immediately prior to the Reorganisation – Acquisition of the entire shareholding interest in MAIL by Ms. Lovinia Chiu” in this section.

Save as disclosed, throughout the Track Record Period and up to the date immediately prior to the Reorganisation, we did not conduct any major acquisitions, disposals or mergers during or after the Track Record Period.

CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE REORGANISATION

The following chart sets out the corporate and shareholding structure of our Group immediately prior to the Reorganisation:



Notes:

1. Pursuant to a declaration of trust, Ms. Noletta Chiu held 10% shareholding interest in MEL as a nominee shareholder of such shareholding interest in trust for Ms. Lovinia Chiu. Ms. Lovinia Chiu is therefore the beneficial owner of 100% shareholding interest in MEL. The nominee shareholding arrangement was in place as a result of the then statutory requirement for a minimum of two shareholders under the Companies Ordinance.
2. Pursuant to a declaration of trust, Ms. Wong Wai Han held 50% shareholding interest in MFE as a nominee shareholder of such shareholding interest in trust for Ms. Lovinia Chiu. Ms. Lovinia Chiu is therefore the beneficial owner of 100% shareholding interest in MFE. The nominee shareholding arrangement was in place as a result of the then statutory requirement for a minimum of two shareholders under the Companies Ordinance.

Reorganisation

In preparation for the Global Offering, we underwent the following major steps for the Reorganisation:

Acquisition of 15% shareholding interest in WSH by Ms. Lovinia Chiu

On 27 June 2018, Ms. Lovinia Chiu entered into a sale and purchase agreement with Ms. Noletta Chiu, pursuant to which Ms. Lovinia Chiu acquired the 15% shareholding interest in WSH from Ms. Noletta Chiu at a consideration of HK\$15 based on the share capital of WSH. After the share transfer, Ms. Lovinia Chiu held 100% shareholding interest in WSH.

Acquisition of the entire shareholding interest in MAIL by Ms. Lovinia Chiu

On 27 August 2018, Ms. Lovinia Chiu entered into a sale and purchase agreement with Ms. Noletta Chiu, pursuant to which Ms. Noletta Chiu transferred her 50% shareholding interest in MAIL to Ms. Lovinia Chiu for a consideration of HK\$20,000,000 based on a valuation report as at 31 July 2018 as appraised by an independent valuer. Upon completion of the MAIL Acquisition, Ms. Lovinia Chiu held 100% shareholding interest in MAIL.

Incorporation of RLA by Ms. Lovinia Chiu

On 23 October 2018, RLA was incorporated in the BVI with limited liability as an investment holding and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On the same day, one share of RLA was allotted and issued at par, fully paid to Ms. Lovinia Chiu. Accordingly, RLA has been owned as to 100% by Ms. Lovinia Chiu since incorporation.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of our Company

On 29 October 2018, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon incorporation of our Company, one Share was allotted, issued at par and credited as fully paid to our Company's initial subscriber and was subsequently transferred to RLA at par, fully paid, on the same day. Upon completion of such transfer, our Company became indirectly wholly owned by Ms. Lovinia Chiu through RLA.

Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance of Hong Kong.

Incorporation of offshore holding companies in the BVI

On 13 November 2018, each of MLHL, MEHL and MIHL was incorporated with limited liability in the BVI. Each of them is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. One share of each of MLHL, MEHL and MIHL was allotted and issued at par, fully paid to our Company on the same day. Since the date of incorporation, each of them has been owned as to 100% by our Company. MLHL, MEHL and MIHL serve as an immediate holding company for Brand Licensing Business, Media Content Distribution Business, as well as investment business in our Group, respectively.

Transfer of the shareholding interests in other group companies to our Group

MLHL acquired the shareholding interests in the group companies as follows:

- (a) On 26 November 2018, MLHL acquired from Ms. Lovinia Chiu the entire issued share capital of MAIL for a consideration of HK\$2.00 based on the then issued share capital, which was fully paid.
- (b) On 26 November 2018, MLHL acquired from each of Ms. Lovinia Chiu and Ms. Wong Wai Han (who acted as a nominee shareholder of such shareholding interest in trust for Ms. Lovinia Chiu) 50% of the issued share capital of MFE for a consideration of HK\$1.00 and HK\$1.00 based on the then issued share capital, which was fully paid. After the share transfer, Ms. Wong Wai Han ceased to hold any shares in MFE for the benefit of Ms. Lovinia Chiu and the nominee shareholding arrangement was therefore terminated.
- (c) On 26 November 2018, MLHL acquired from Ms. Lovinia Chiu the entire issued share capital of MSG for a consideration of SGD10.00 based on the then issued share capital, which was fully paid.
- (d) On 26 November 2018, MLHL acquired from Ms. Lovinia Chiu the entire issued share capital of MAL for a consideration of US\$1.00 based on the then issued share capital, which was fully paid.

Upon completion of the above acquisitions, MAIL, MFE, MSG and MAL became direct wholly owned subsidiaries of MLHL.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

MEHL acquired the shareholding interests in the group companies as follows:

- (a) On 26 November 2018, MEHL acquired from Ms. Lovinia Chiu and Ms. Noletta Chiu (who acted as a nominee shareholder of such shareholding interest in trust for Ms. Lovinia Chiu) 90% and 10% of the issued share capital of MEL, respectively for a consideration of HK\$9 and HK\$1 based on the then issued share capital, both of which were fully paid. After the share transfer, Ms. Noletta Chiu ceased to hold any shares in MEL for the benefit of Ms. Lovinia Chiu and the nominee arrangement was therefore terminated.
- (b) On 26 November 2018, MEHL acquired from Ms. Lovinia Chiu the entire issued share capital of MPL for a consideration of US\$1.00 based on the then issued share capital, which was fully paid.

Upon completion of the above acquisitions, MEL and MPL became direct wholly owned subsidiaries of MEHL.

MIHL acquired the shareholding interests in the group companies as follows:

- (a) On 26 November 2018, MIHL acquired from Ms. Lovinia Chiu the entire issued share capital of MHL for a consideration of HK\$1,000 based on the then issued share capital, which was fully paid.
- (b) On 26 November 2018, MIHL through MHL acquired from Ms. Lovinia Chiu the entire issued share capital of WSH for a consideration of HK\$100 based on the then issued share capital, which was fully paid.

Upon completion of the above acquisitions, MHL became a direct wholly owned subsidiary of MIHL and WSH became a direct wholly owned subsidiary of MHL.

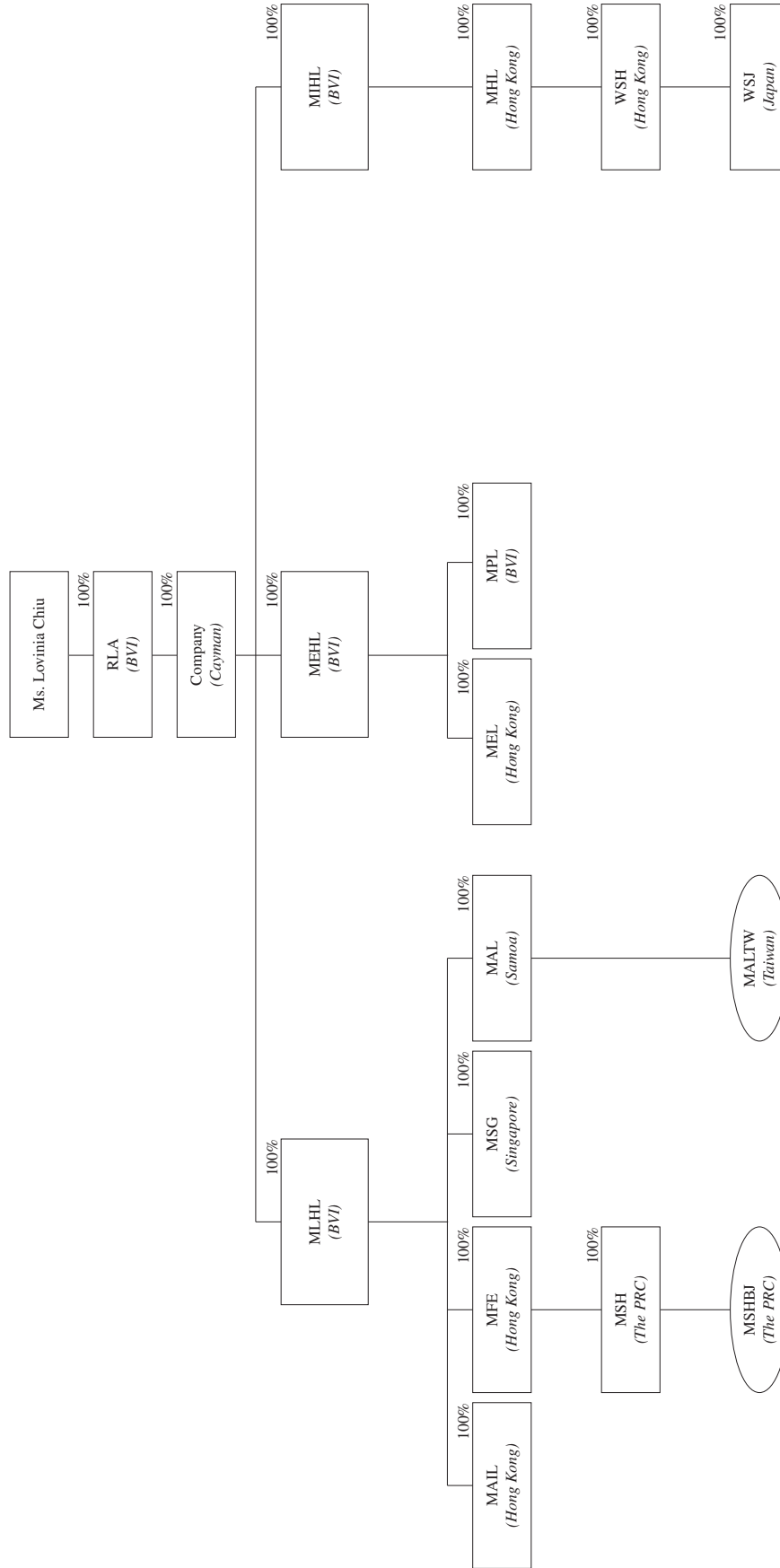
Upon completion of the Reorganisation but prior to the Capitalisation Issue and the Global Offering, RLA shall hold the entire issued shares in the Company.

Our Company will offer an aggregate of not less than 25% of the total number of issued Shares for subscription by the public and placing to professional, institutional or other investors in Hong Kong and other places (except for the United States).

The transfers to the companies in the respective jurisdictions described above for the purposes of effecting the Reorganisation have been properly and legally completed and all approvals from the relevant authorities, if any, have been obtained.

CORPORATE AND SHAREHOLDING STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE REORGANISATION

The following chart sets out the corporate and shareholding structure of our Group immediately following completion of the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Increase in authorised share capital

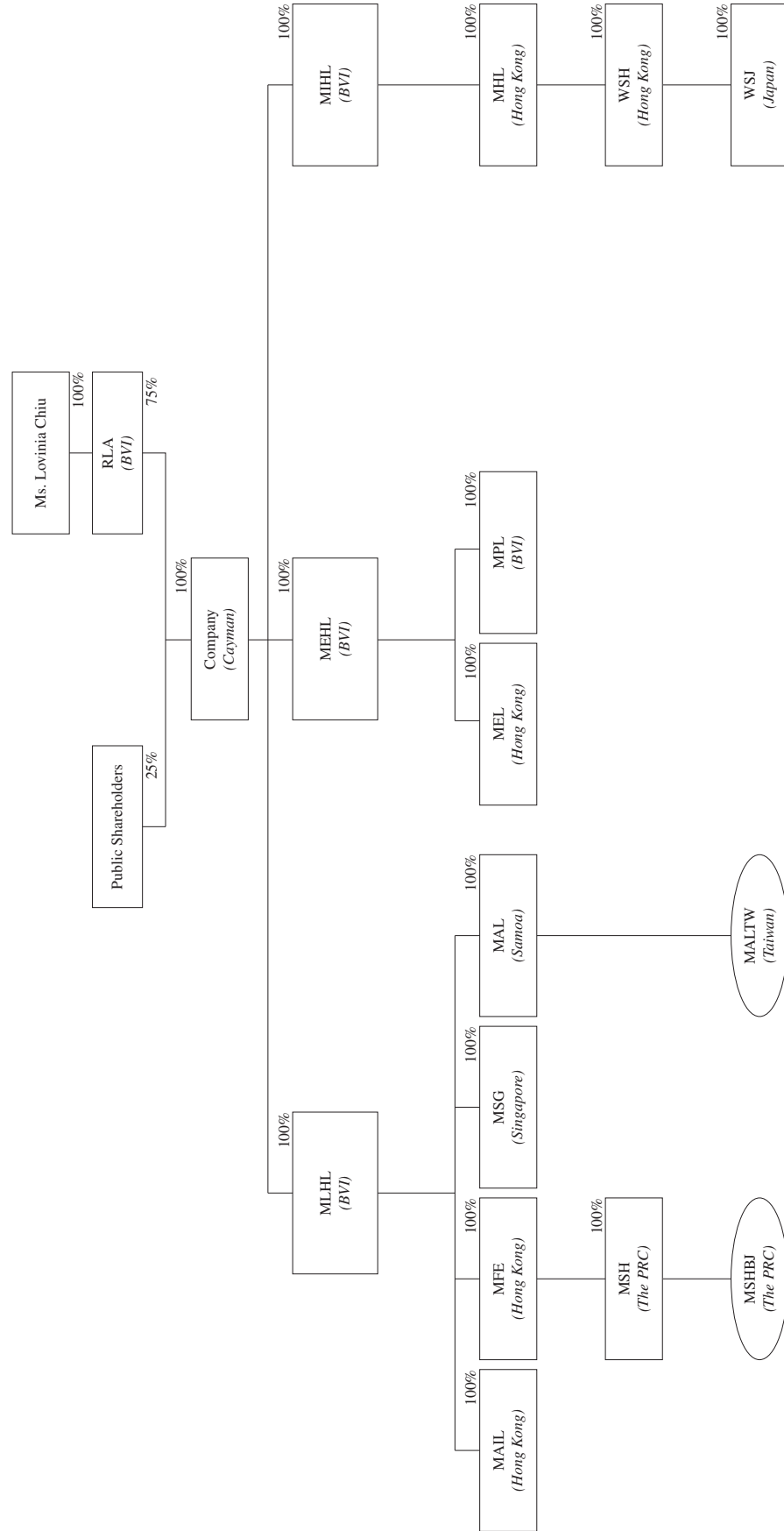
In contemplation of the Global Offering, the authorised share capital of our Company will be increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of a par value of HK\$0.01 each, by the creation of an additional 4,962,000,000 Shares with a par value of HK\$0.01 each. The 4,962,000,000 new Shares shall rank pari passu in all respects with the existing issued Shares.

Capitalisation Issue

Subject to the share premium account of our Company having sufficient balance or otherwise being credited with the proceeds from the Global Offering, our Directors shall be authorised to allot and issue a total of 1,493,999,999 Shares credited as fully paid at par value to the Shareholders 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 (or as it/they may direct) in proportion to the respective shareholding in our Company by way of capitalisation of the sum of HK\$14,939,999.99 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued shall rank pari passu in all respects with the then existing issued Shares.

CORPORATE AND SHAREHOLDING STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE GLOBAL OFFERING

The following chart sets out the corporate and shareholding structure of our Group immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised):



THE PRC REGULATORY REQUIREMENTS

As advised by our PRC Legal Advisers, since our Company was incorporated outside the PRC and the shareholders and ultimate beneficial owners of our Company are not PRC domestic persons, the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) are not applicable to the Reorganisation.

In addition, as advised by our PRC Legal Advisers, since our Company was incorporated outside the PRC and the shareholder and the ultimate beneficial owner, namely Ms. Lovinia Chiu, is not a PRC domestic person, a holder of the PRC identity documents nor an individual who resides in the PRC habitually for the purpose of economic benefit, she is not subject to the registration requirements under the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》).

OVERVIEW

We are a leading distributor of third-party owned media content headquartered in Hong Kong with presence in the PRC, Singapore, Malaysia, Taiwan, Indonesia and Japan. Under our Media Content Distribution Business, we cooperate closely with the media content licensors through entering into content distribution arrangements with them and are capable of distributing media content relating to animation series, variety shows, drama series and animated and live-action feature films to our customers through entering into content sub-licensing arrangements with them. In particular, we believe that we have a well-established position in distributing Japanese animation. During the Track Record Period and up to the Latest Practicable Date, our major customers primarily included operators of online media platforms and media networks, and our other customers under our Brand Licensing Business mainly included some brand licensors (where we acted as their agent) and sub-licensees such as manufacturers/distributors of different product categories including toys, apparels and footwear, health and beauty products, food and beverage, and other sub-licensees involving events, theme parks, shopping malls, cafes and restaurants in the Asia Pacific region. During the Track Record period, revenue derived from Japanese animation distribution accounted for approximately 80.3%, 87.2%, 90.2% and 86.8% of our total revenue, respectively. According to the Frost & Sullivan Report, we ranked number one among Japanese animation distributors in the PRC in terms of revenue in 2017.

Having been engaged in the business of media content distribution for over 18 years, we have experienced the evolution and development of the media content industry in the Asia Pacific region. According to the Frost & Sullivan Report, technological advancement from the domination of free terrestrial TV, the rising of satellite and pay TV to the emergence of online entertainment platforms and OTT channels has transformed the way how media content have been consumed by viewers. Over the years of our operations, our Group has been offering media content to various media platforms and expanding our geographical footprint. We believe that as a result of our ability in identifying animation series and drama series with good potential and our connection with major online entertainment platforms and TV and media networks in the Asia Pacific region, we were able to help these series reach a broad and diverse audience base in the Asia Pacific region and other countries during the Track Record Period. As at the Latest Practicable Date, the content we distributed were able to reach viewers in the PRC, Hong Kong, Macau, Taiwan, the Philippines, Singapore, Thailand, Malaysia, Indonesia, India, Brunei and other countries.

Despite the technological changes which affected the way of media content consumption, we believe that we are well-positioned to capture the market opportunities by having a large content reserve. During the Track Record Period and up to the Latest Practicable Date, we had distributed over 780 titles of media content. As at the Latest Practicable Date, we had been granted licensing rights of 403 active titles of media content and of which over 190 titles had a remaining licensing period of over three years. We had historically distributed many highly popular animation series, drama series from Korea, Taiwan and the PRC, and Japanese variety shows throughout the Asia Pacific region which we believe was due to our in-depth understanding of market trends and industry insights. Since our establishment in 2000 and up

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to the Latest Practicable Date, we had distributed hit animation series including “Cardcaptor Sakura”, “City Hunter”, “Fullmetal Alchemist”, “INITIAL D”, “Mobile Suit Gundam Wing”, “Pleasant Goat and Big Big Wolf”, “Ultraman Tiga” and “Yu-Gi-Oh!” and live-action series, “Coffee Prince”, “It Started with a Kiss”, “Meteor Garden”, “My Girl” and “The Prince Who Turns Into a Frog”.

Leveraging our strong experience in our Media Content Distribution Business, our Group also engages in the Brand Licensing Business, where we are involved in the licensing of various rights in relation to brands owned by brand licensors including certain merchandising rights, for the use in toys, apparels and footwear, health and beauty products, food and beverage; location-based entertainment rights for events, theme parks, shopping malls, cafes and restaurants; and promotion rights in the Asia Pacific region. Under our Brand Licensing Business, we (i) source various brands directly from the licensors and sub-licence such rights directly to our customers, or (ii) serve as an agent for certain brand licensors to, among others, help them identify, and negotiate licensing terms with, the potential customers. Our Brand Licensing Business had further expanded after MAIL, a company principally engaged in Brand Licensing Business, became our wholly owned subsidiary in August 2018. After completion of our acquisition of 100% interest in MAIL in August 2018 and up to the Latest Practicable Date, our Group, through MAIL and our other subsidiaries, was also involved in the licensing of brands of “Garfield”, “Le Petit Prince”, “MONOPOLY”, “Moomin”, “Mr. Men Little Miss”, “PAC-MAN”, “Peppa Pig”, “PJ Masks”, “ROBOCAR POLI” and “TRANSFORMERS”. During the Track Record Period and up to the Latest Practicable Date, we had been involved in the licensing of over 160 brands, of which 112 brands remained active. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not experienced difficulties in renewing our brand licensing agreements or brand agency agreement with our licensors upon expiration of such agreements.

For the three years ended 31 March 2018 and the seven months ended 31 October 2018, we generated revenue of approximately HK\$147.9 million, HK\$234.1 million, HK\$291.1 million and HK\$327.4 million from our Media Content Distribution Business, representing approximately 86.5%, 88.7%, 92.8% and 93.0% of our total revenue, respectively, while we generated revenue of approximately HK\$23.1 million, HK\$29.8 million, HK\$22.8 million and HK\$24.7 million from our Brand Licensing Business, representing approximately 13.5%, 11.3%, 7.2% and 7.0% of our total revenue, respectively.

Our media content licensors

During the Track Record Period and up to the Latest Practicable Date, we had been granted licensing rights of 341 new titles of media content which were granted directly by approximately 60 media content licensors. We were also granted licensing rights of or were involved in licensing the related brands of some of these media content. Our top 10 media content licensors included some renowned media companies including Aniplex Inc., Avex Pictures Inc., Kadokawa Group, Kodansha Ltd., Shochiku Co. Ltd., Sunrise Inc. and TOHO Co., Ltd..

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Cashflow requirement for the minimum guarantee payment

Subject to the terms of the individual content distribution agreements entered into between the media content licensors and us, we are normally required to pay our licensors a minimum guarantee upon signing of the relevant agreements and/or by instalments at the early stage of the relevant licensing periods. Such amount of minimum guarantee is usually non-refundable but recoupable or shall be applied to set off against the royalty payable by us under the content distribution agreements.

Our Group experiences a mismatch in timing between receipt of payment from our customers and settlement of our advance payment/minimum guarantee payment due to our media content licensors from time to time. We have substantial cash requirements for funding our business operations as we are normally required to make advance payment or minimum guarantee payment to our media content licensors in order to obtain media content licensing rights. As a result, a substantial amount of advance cash payment is usually required to be made to our licensors before we generate any revenue from our customers. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, we were required to pay a total amount of minimum guarantee of approximately HK\$76.0 million, HK\$132.0 million, HK\$140.7 million and HK\$169.0 million to our media content licensors for obtaining the media content related licensing rights, representing approximately 73.8%, 80.6%, 81.8% and 77.7% of our total purchases respectively. Our royalty for the licensed media content ranged from 15% to 80% for the three years ended 31 March 2018 and 15% to 70% for the seven months ended 31 October 2018.

Our brand licensors

During the Track Record Period and up to the Latest Practicable Date, we had been involved in the licensing of over 160 brands for our Brand Licensing Business. As at the Latest Practicable Date, our brand licensors included a number of renowned licensors such as BANDAI NAMCO Entertainment Inc., Bulls Presstjänst AB, Entertainment One UK Limited, Hasbro International Inc., LPP612, Paws, Incorporated, ROI VISUAL Co., Ltd., Sunrise Inc. and TOHO Co., Ltd.. During the Track Record Period, we (i) sourced various brand licensing rights directly from the licensors and sub-licensed such rights directly to our customers, or (ii) served as an agent for certain brand licensors to, among others, help them identify, and negotiate licensing terms with, the potential customers. In consideration for the agency services we provided to these brand licensors, we would receive an agency commission at a pre-agreed percentage of the contract sum. In August 2018, MAIL became our wholly owned subsidiary after completion of the MAIL Acquisition. Similar to our Media Content Distribution Business, subject to the terms of the individual brand licensing agreements entered into between the brand licensors and us, we may be required to pay our licensors a minimum guarantee upon signing of the relevant agreements or by instalments at the early stage of the relevant licensing periods. Such amount of minimum guarantee is usually non-refundable but recoupable or shall be applied to set off against the royalty payable by us under the brand licensing agreements.

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For the three years ended 31 March 2018 and the seven months ended 31 October 2018, we were not required to pay any minimum guarantee to our brand licensors under our Brand Licensing Business. Prior to MAIL Acquisition, MAIL had paid minimum guarantee for obtaining licensing rights for certain brands.

Our customers

Our Media Content Distribution Business accounted for 86.5%, 88.7%, 92.8% and 93.0% of our total revenue, respectively, for the three years ended 31 March 2018 and the seven months ended 31 October 2018. During the Track Record Period and up to the Latest Practicable Date, our top 10 customers for our Media Content Distribution Business included some prominent operators of online entertainment platforms and media networks such as ABS-CBN Corporation, Alibaba Group, Bilibili Inc., Eastern Broadcasting Co., Ltd., iQIYI Group, Netflix, Inc., Shenzhen Tencent Computer Systems Company Limited and TVB Group.

Our Brand Licensing Business accounted for approximately 13.5%, 11.3%, 7.2% and 7.0% of our total revenue, respectively, for the three years ended 31 March 2018 and the seven months ended 31 October 2018. During the Track Record Period and up to the Latest Practicable Date, our customers for our Brand Licensing Business included (i) manufacturers/distributors of toys, apparels and footwear, health and beauty products and food and beverage companies such as Baleno Kingdom Limited, BANDAI NAMCO Asia Co., Ltd., Casablanca Hong Kong Limited, Dah Sing Bank, Limited, DIMSUMICON COMPANY LIMITED, FOTOMAX (F.E.) LTD., I.T Apparels Limited, Namco Enterprises Asia Limited and TOMY Asia Limited; (ii) some renowned brand licensors for whom we act as agent including Paws, Incorporated and LPP612.

OUR COMPETITIVE STRENGTHS

We believe that the following principal strengths are crucial to our success and essential for our future growth:

We have strong standing relationships with media content licensors

We believe that our relationships with media content licensors have fortified our market presence in the media content distribution industry, especially in the Japanese animated content market. According to the Frost & Sullivan Report, we ranked number one in Japanese animation content distribution in the PRC in terms of revenue in 2017 and accounted for approximately 14.1% of the total market. Over the past 18 years, we have cultivated strong standing relationships with renowned Japanese media companies, film/drama production companies, media networks and other media content licensors. During the Track Record Period and up to the Latest Practicable Date, we had been granted licensing rights of 341 new titles of media content which were granted directly by approximately 60 media content licensors. As the Latest Practicable Date, we held licensing rights of 403 active titles of which over 190 titles had a remaining licensing period of over three years.

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During the Track Record Period and up to the Latest Practicable Date, our major suppliers primarily included our media content licensors. As at the Latest Practicable Date, we had established relationships with our five largest suppliers for the Track Record Period for periods ranging between two and 17 years. We believe that our cooperation with various major Japanese media companies and other media content licensors will continue to strengthen our market presence and our market position in the Asia Pacific region.

Our broad portfolio of media content enables us to offer a wide selection of different content to satisfy customers' preferences and tastes

Our media content offerings comprises animation series, variety shows, drama series and animated and live-action feature films. As at 31 March 2016, 2017 and 2018, 31 October 2018 and the Latest Practicable Date, we held licensing rights for 442, 375, 333, 379 and 403 active titles of media content respectively. We believe that our broad portfolio of content enables us to become a “one-stop” distribution platform, which allows (i) our media content licensors to showcase and promote a wide array of media content of different genres, including their new titles which may in turn fuel quality content creation and motivate content creators to create new genres/innovative content to cater to the ever-evolving and diversified interests of viewers in different countries; and (ii) our Group to offer a wide selection of media content to satisfy our customers' different preferences and tastes.

We have established a broad and extensive content distribution network with some reputable media platforms

We have established a broad and extensive content distribution network in the Asia Pacific region. Our top 10 customers comprised some prominent online entertainment platforms and media networks operated by companies such as ABS-CBN Corporation, Alibaba Group, Bilibili Inc., Eastern Broadcasting Co., Ltd., iQIYI Group, Netflix, Inc., Shenzhen Tencent Computer Systems Company Limited and TVB Group. During the Track Record Period and up to the Latest Practicable Date, we had entered into content sub-licensing agreements with 109 customers for the distribution of our licensed media content. As at the Latest Practicable Date, our Group had business relationships with our five largest media content customers during Track Record Period ranging from three to 14 years. We believe that this broad and extensive content distribution network is attributable to our expansive selection of licensed media content and our proactive and reliable services, which enable us to win our customers' loyalty and maintain business relationships with a number of reputable media platforms.

We believe that our ability to reach a large viewer base through our extensive distribution network enables us to appeal to media content licensors to cooperate with us and offer us a wide range of media content. To further expand our distribution network, we also participate in trade fairs and conventions on a regular basis so as to promote our licensed media content to media platforms. During the Track Record Period, we participated in a number of trade fairs, conventions, film and TV festivals in Hong Kong, Taipei, Beijing, Singapore, Japan and other countries. We believe that our industry knowledge, expertise and know-how in distributing media content to customers in different countries have helped us develop our capability to identify media content which appeal to different distribution networks and viewers in different countries.

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Due to our in-depth understanding of market trends and industry insights, we had historically distributed many highly popular Japanese animation series, drama series from Korea, Taiwan and the PRC, and Japanese variety shows throughout the Asia Pacific region, including “Cardcaptor Sakura”, “Mobile Suit Gundam Wing” and “It Started with a Kiss”.

We play a key role as a distributor of media content, a licensee or an agent for brand licensors capable of providing one-stop distribution services to our customers

Our Directors consider that as a media content distributor, a licensee or an agent for brand licensors in the Asia Pacific region capable of providing one-stop media content distribution services, we could continue to induce our customers to source media content brands directly from us because: (a) most of the media content licensors/brand licensors are located in different countries and have to rely on distributors, licensees and agents such as our Group to cover and distribute to markets outside their home countries; (b) we are engaged by some of our media content licensors to distribute their media content and licensing the related character brands at the same time; (c) we are able to provide our customers value-added services; (d) we serve as a bridge between our overseas suppliers of media content and our customers; and (e) we have developed a close relationship with our customers. Please see “Business model – Our role in the value chain” in this section below for further details.

We have an experienced senior management team with comprehensive industry and market knowledge and a proven track record

Our Group’s long operating history of over 18 years has enabled us to develop a strong management team with a comprehensive operation and industry knowledge. Our senior management team is characterised principally by their continued commitment to our Group, professional execution capability, and extensive experience in the Media Content Distribution Business and Brand Licensing Business. Our Group is led by Ms. Lovinia Chiu, our founder, chairman of our Board, an executive Director and chief executive officer of our Company, who has over 30 years of experience in the media content distribution industry. Other members of our senior management team, including Mr. Cheung Wai Kit, Ms. Noletta Chiu and Ms. Lee Yat Ping, also have over 20 years of industry experience, and possess extensive experience in the areas of sales and business management within the industry. See “Directors and senior management” in this prospectus for further details of the credentials of our Directors and members of the senior management. Relying on their foresight and in-depth industry knowledge, our management team has been able to formulate sound business strategies, anticipate changes in viewer preferences, and capture significant market opportunities. We believe that our senior management team possesses the vision and expertise required to anticipate and take advantage of market trends and opportunities and to effectively prioritise and execute sound business strategies to maximise shareholder value.

OUR BUSINESS STRATEGIES

Enrich and expand our media content offerings to stay abreast of evolving viewer preferences

Riding on our proven track record and good reputation, we plan to strengthen our position as an established media content distributor, and enrich and expand the media content that we offer to our customers. We will leverage our in-depth understanding of the industry, viewer preferences and market trends to select media content that we expect to be popular among our customers and viewers. According to the Frost & Sullivan Report, the global revenue of Japanese animation content distribution market increased in the past several years mainly due to the development of theatrical animation market and growing popularity of Japanese animation in the PRC and overseas markets. The market is expected to grow from approximately HK\$55.5 billion in 2018 to HK\$75.5 billion in 2022, with a CAGR of 8.0%. The market is forecast to be driven by the fast developing overseas markets, including the Southeast Asian countries. In anticipation of the continuous increase in demand for media content, we plan to increase our Japanese animation offerings by obtaining more titles and also further diversify our media content offerings by obtaining media content from media content licensors based in the PRC, Korea and other Asian countries to include more PRC and Asian live-action drama series and feature films. According to the Frost & Sullivan Report, the live-action film market in the Asia Pacific region is expected to grow from approximately HK\$11.9 billion in 2018 to approximately HK\$22.4 billion in 2022, with a CAGR of 17.1%.

Our Group also plans to expand into the distribution of inflight entertainment media content. According to the Frost & Sullivan Report, as the civil aviation industry develops in the PRC, the inflight entertainment channel is expected to continue to grow in the next few years. The passenger volume is forecast to continue to grow at a CAGR of 9.6% from 2017 to 2022, reaching 1,000 million in 2022. The growing needs of inflight entertainment is likely to drive the market. In particular, the PRC inflight Japanese animation content distribution market is also expected to grow at a CAGR of 32.6% from approximately HK\$8.4 million in 2017 to approximately HK\$34.3 million in 2022. The global inflight Asian movie distribution market is also expected to grow at a CAGR of approximately 15.6%, from approximately HK\$1.4 billion in 2017 to approximately HK\$2.8 billion in 2022. In recent years, the airline business is continuously developing as the number of aircraft deliveries and the passenger traffic grows. The market of inflight entertainment is becoming increasingly standardised due to the growing demand and increasing awareness of copyrights. The business model of inflight entertainment has also innovated in recent years, the airlines' preference has changed from purchasing single media content separately to entering into long term contracts for the provision of media content. These factors are likely to further drive the global inflight Asian movie distribution market. We intend to further expand into the inflight entertainment market by fully utilising our existing rights in relation to our licensed media content and also acquire the inflight rights of other titles.

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In order to capture market opportunities, we intend to obtain licensing rights for the following additional media content:

<u>Categories</u>	<u>Number of titles (not more than)</u>
Japanese animation series	3
Chinese/Asian drama series	1
Animated feature films	3
Live-action feature films	1
Inflight entertainment content (such as live-action feature films)	20
Total:	28

Our Directors believe that the expansion of our media content portfolio will (i) create more business opportunities with new customers along with the expansion of our distribution network and (ii) generate additional revenue from our existing customers. Our Group will also continue to evaluate consumption preferences and market trends to ensure that our media content selection stay abreast of evolving user preferences. In order to cope with the anticipated growth in our Media Content Distribution Business, we intend to expand our media content distribution team to handle the additional workload.

Enhance our position in existing markets and strategically expand into other selected markets

We will continue to enhance our position in existing markets where we currently have a presence by expanding our customer base and market share in such regions, which may include the PRC, the Philippines, Thailand, Singapore and Malaysia. In addition, we plan to leverage our deep-plough strategy, reputation, extensive experience and business connections to strategically expand into selected new regions, such as Vietnam and Cambodia. We select these regions based on our existing geographical presence and the growth potential of the media content distribution markets of these regions. According to the Frost & Sullivan Report, the total market size of the Japanese animation market of the PRC is expected to grow from approximately HK\$1.6 billion in 2017 to approximately HK\$3.3 billion in 2022 at a CAGR of 15.3%. The total market size of the Japanese animation distribution market of Southeast Asian countries including the Philippines, Thailand, Singapore, Malaysia, Vietnam and Cambodia is expected to grow from approximately HK\$166.4 million in 2017 to HK\$339.3 million in 2022, with a CAGR of 15.3%. The market size of foreign drama distribution of these Southeast Asian countries is expected to grow from approximately HK\$290.1 million in 2018 to approximately HK\$395.1 million in 2022, with a CAGR of approximately 8.0%. We envisage strong growth potential under the urbanisation and development of information technology of these Southeast Asian countries. Leveraging our established business relationships with Japanese media companies and TV and media networks, we also intend to bring media content from other countries to Japan.

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Expand our Brand Licensing Business by increasing our brand offerings

With MAIL becoming part of our Group in August 2018, our Directors expect that our Brand Licensing Business will continue to expand. According to the Frost & Sullivan Report, the global entertainment and character IP licensing market is expected to grow steadily from approximately HK\$59.0 billion in 2018 to approximately HK\$74.8 billion in 2022, with a CAGR of 6.1%. Driven by the increasing consumption ability of the PRC consumers, the IP licensing market in the PRC has witnessed a rapid development in the past years. According to the Frost & Sullivan Report, the total revenue generated from the entertainment and character IP licensing market in the PRC will increase from approximately HK\$3.8 billion in 2018 to approximately HK\$5.8 billion in 2022, with a CAGR of 11.2%. Our Directors currently intend to obtain licensing rights for not more than four international lifestyle, fashion and character brands, not more than five Hong Kong brands and obtain additional exploitation rights for not more than two of our existing brands. Our Directors expect that our Group will be able to cooperate with more premium/high profile brands by offering minimum guarantee payment to them. In order to fund such advance payment/minimum guarantee payment, we plan to apply a portion of our net proceeds from the Global Offering to obtain more licensing rights.

Introduce media content and brands created in Hong Kong to international audience

As a company that is deeply rooted in Hong Kong, we would like to serve as an ambassador of Hong Kong's own media content and brands, including local productions of drama series, animation series, featured films, short web movies/dramas and brands. We intend to utilise our expertise in the businesses to help promote media content and brands created in Hong Kong to international markets. In order to nurture and promote the new generation of media/design talents, our Group intends to cooperate with local media producers, designers and artists to provide the support they need to distribute their media content and license their brands in the Asia Pacific region and other countries by helping them to identify and select distribution channels, including showcasing their media content/brands at licensing exhibitions/trade fairs.

Invest in the production of animated/live-action media content

During the Track Record Period, we made a total investment of HK\$18.4 million in four Japanese animation series namely "Seisen CERBERUS", "Lost Song", "HaneBad!" and "RErideD – Derrida, who leaps through time –" together with other media studios/companies and received a total investment income of HK\$3.8 million and generated a total distribution income of HK\$33.2 million from the series. One of the animation series was released in 2016, and the other three were released in 2018. We have obtained adaptation rights of certain published materials, animation series and drama series to produce live-action versions or a re-make of such content which may be used in our future co-productions. Leveraging our connections with Japanese media companies, film/drama production companies and media networks, we will continue to invest in the production of media content in the future. Based on our prior experience, we believe the benefits for co-investing in the production of media content are that: (a) we may be granted rights to distribute the media content and other rights

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in certain territories; (b) it may further enhance our relationships with the production studios/media companies which will benefit our Media Content Distribution Business in a long run; and (c) we will receive investment income arising from the media content in addition to distribution income. We expect to incur approximately HK\$19.5 million to participate in the co-investment in the production of media content, which will be financed by our net proceeds from the Listing.

Replicate our success in our proprietary “Ani-One” brand and seek further opportunities to develop our Media Content Distribution Business

We started our cooperation with TVB Group in July 2016 by entering into a programme licence agreement pursuant to which we licensed to TVB Group VOD rights to use our licensed animation content in Hong Kong under our proprietary “Ani-One” brand on the OTT platform of “myTV SUPER”, an online media platform operated by TVB Group. We also cooperated with SMG Entertainment Sdn Bhd which operates a VOD service currently known as “dimsum” to provide our licensed animation content under a branded video on demand environment – “Ani-One” in Malaysia and Brunei. We believe our centralised management approach and unified business model have enabled us to replicate the success of our own “Ani-One” brand in Malaysia and Brunei cost-effectively and efficiently. We have a centralised management system, where all our major management decisions are made in our headquarters in Hong Kong. It enables us to integrate our resources and lower our operating costs.

Leveraging our broad collection of media content, we believe that our proprietary “Ani-One” brand has good potential in helping us expand our market shares in the Asia Pacific region. In view of such potential, we intend to adopt a uniform “Ani-One” brand and similar business strategies and collaborate with other media platforms such as online entertainment platforms and TV channels in the Asia Pacific region to further expand our VOD services, with appropriate modification based on the local circumstances in other countries in the Asia Pacific region.

We will also seek suitable opportunity in developing our own “Ani-One” app to provide VOD services in Hong Kong and other regions by engaging an information technology company with the requisite skills and expertise as our service provider. We believe that leveraging our rich media content portfolio and our experience working with prominent VOD service providers, we will be able to further develop our Media Content Distribution Business by creating our own distribution platform alongside our other distribution channels. We expect that total expenditure for creating and launching our own app will be financed by our internal resources.

BUSINESS

Relocate our Hong Kong office and continue to recruit talents to support our business growth in our Hong Kong and the PRC/overseas offices

As our business continues to grow, we plan to relocate our Hong Kong office to improve the working environment of our employees and accommodate the expansion of our team. Our existing Hong Kong office has a GFA of approximately 5,000 sq.ft. We expect to relocate to an office with a GFA not exceeding 12,000 sq.ft.. The initial rental cost, the fitting-out costs, costs for acquiring the relevant furniture and office equipment and setting up the information technology network and database and other relevant costs are expected to be funded by the net proceeds from the Global Offering.

In light of the expected growth of the markets and our anticipated business expansion, we intend to recruit not more than 26 staff in our Hong Kong and the PRC/overseas offices in order to enhance our capability in delivering our services at high quality and in accordance with our customers' requirements, which may include additional staff for our media content team and brand licensing team, and personnel for information technology, legal, administration, and human resources functions.

See "Future plans and use of proceeds – Use of proceeds" in this prospectus for further details of our expansion plans for our office and workforce.

OUR BUSINESS MODEL

We distribute media content from media content licensors in the Asia Pacific region. Under our Media Content Distribution Business, we obtain rights to use, and rights to sub-license the use of, the media content from the media content licensors through entering into content distribution agreements with them and distribute these media content to our customers through entering into content sub-licensing agreements with them.

In addition, we engage in the Brand Licensing Business where we obtain various rights to use the third-party owned brands including certain merchandising rights, location-based entertainment rights and promotion rights, and sub-license the use of these brands to our customers through entering into sub-licensing arrangements with them. Under our Brand Licensing Business, we also enter into brand agency agreements with some of the brand licensors to act as an agent for them.

We have also participated in the co-investment in the production of media content. During the Track Record Period, we made a total investment of HK\$18.4 million in four Japanese animation series.

BUSINESS

The table below sets out our revenue by business segment during the Track Record Period:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Media Content										
Distribution Business										
Distribution of licensed media content ⁽¹⁾	144,950	98.0	234,030	99.9	286,862	98.5	160,016	98.5	326,017	99.6
Theatrical release income ⁽²⁾	2,996	2.0	32	0.1	4,260	1.5	2,490	1.5	1,377	0.4
Subtotal:	<u>147,946</u>	<u>100.0</u>	<u>234,062</u>	<u>100.0</u>	<u>291,122</u>	<u>100.0</u>	<u>162,506</u>	<u>100.0</u>	<u>327,394</u>	<u>100.0</u>
Brand Licensing Business										
Sub-licensing of brands	16,722	72.2	21,899	73.6	13,538	59.5	9,565	67.7	16,099	65.2
Provision of licensing agency services	6,203	26.8	7,497	25.2	9,006	39.6	4,412	31.3	7,963	32.3
Sale of merchandise ⁽³⁾	220	1.0	365	1.2	210	0.9	145	1.0	620	2.5
Subtotal:	<u>23,145</u>	<u>100.0</u>	<u>29,761</u>	<u>100.0</u>	<u>22,754</u>	<u>100.0</u>	<u>14,122</u>	<u>100.0</u>	<u>24,682</u>	<u>100.0</u>
Total:	<u>171,091</u>	<u>100.0</u>	<u>263,823</u>	<u>100.0</u>	<u>313,876</u>	<u>100.0</u>	<u>176,628</u>	<u>100.0</u>	<u>352,076</u>	<u>100.0</u>

Notes:

1. It included an investment income of HK\$3.8 million and a distribution income of HK\$33.2 million which arose from our co-investment in the production and distribution of four Japanese animation series during the Track Record Period.
2. It included an income from distributing feature films to theatre circuits directly by our Group.
3. We exploited the merchandising rights obtained from our licensors by engaging suppliers to design and produce merchandise for our own sale in certain exhibitions/promotional events.

BUSINESS

The following table sets out our revenue by customers' geographical location during the Track Record Period:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							<i>(unaudited)</i>			
PRC	107,470	62.8	186,173	70.6	244,099	77.7	137,034	77.6	279,819	79.5
Hong Kong	20,419	11.9	17,761	6.7	21,820	7.0	11,653	6.6	15,857	4.5
US	7,705	4.5	20,862	7.9	15,883	5.1	7,697	4.4	25,024	7.1
Taiwan	8,835	5.2	12,246	4.6	10,468	3.3	6,953	3.9	4,299	1.2
Southeast Asian countries										
Thailand	11,308	6.6	8,461	3.2	5,904	1.9	5,360	3.0	3,547	1.0
Other Southeast Asian countries ⁽¹⁾	9,864	5.8	4,958	1.9	9,140	2.9	3,283	1.9	16,263	4.6
Sub-total	21,172	12.4	13,419	5.1	15,044	4.8	8,643	4.9	19,810	5.6
Others ⁽²⁾	5,490	3.2	13,362	5.1	6,562	2.1	4,648	2.6	7,267	2.1
Total	171,091	100.0	263,823	100.0	313,876	100.0	176,628	100.0	352,076	100.0

Notes:

1. Other Southeast Asian countries included the Philippines, Singapore, Malaysia and Vietnam.
2. Others included Japan, Hungary, Spain and other countries.

Although the Japanese animation distribution market in Southeast Asia grew significantly during the period from 2013 to 2017 according to the Frost & Sullivan Report, our revenue from Southeast Asia including Thailand and other Southeast Asian countries decreased from approximately HK\$21.2 million for the year ended 31 March 2016 to approximately HK\$13.4 million for the year ended 31 March 2017 because we mainly focussed on the distribution of our Japanese animation series in the PRC market and did not put significant sales and marketing efforts and resources into the Southeast Asian market. Such decrease in revenue from Southeast Asian countries was mainly due to the decrease in sales of some popular media content to some local TV stations in Thailand and the Philippines. The increase in our revenue from Southeast Asia for the year ended 31 March 2018 was mainly due to an increased number of Japanese animation series sold to a local TV station in the Philippines, while the increase in our revenue from Southeast Asia for the seven months ended 31 October 2018 as compared to that for the seven months ended 31 October 2017 was mainly due to the sales of a Chinese drama to a local TV station in the Philippines.

Our role in the value chain

Our Directors believe that our media content licensors/brand licensors will continue to retain our services rather than directly license to our Group's customers because:

- (i) *Most of our media content licensors/brand licensors are located overseas and have to rely on distributors and licensees/agents to cover markets outside their home countries*

Most of our media content licensors/brand licensors are located in different countries such as Japan, South Korea, Taiwan and United Kingdom. According to the Frost and Sullivan Report, it is the industry practice for the owners or licensors of media content and brands who may not have a local presence due to limited resources to engage distributors/licensees/agents, such as our Group, who have good relationships with local customers to facilitate the distribution of the media content/brands in different territories outside their home countries. Our media content licensors and brand licensors rely on us to strengthen their relationship with the customers.

- (ii) *We are able to distribute the media content and sub-license the related brands to our customers at the same time*

Apart from being a media content distributor, we are able to assist our customers to achieve maximum exposure of the media content through promotional events and tie-in merchandise of the brands related to the media content based on our expertise in both our Media Content Distribution Business and Brand Licensing Business. These promotional events and tie-in merchandise will be conducted with regards to the air dates and distribution schedules of the media content, which help to sustain the popularity and attractiveness of the media content and brands and in turn maximise the profits of both our media content licensors and customers.

- (iii) *We are capable to provide our customers with value added services which may not be readily provided by the media content licensors/brand licensors locally*

We, as a media content distributor and licensee in the Asia Pacific region, will provide localisation services such as dubbing and subtitling, regular updates on latest animation trends and recommendation on promotional activities as well as quality assurance to our customer, which positioned our Group in a favourable position to provide one-stop media content distribution services in the Asia Pacific Region. Please see "Our Media Content Distributor Business – Operation flow of our Media Content Distribution Business" in this section below for further details of our services. Our proactive approach coupled with our vision in the media content/brands licensing market enable us to offer customised services to address the needs of our customers.

(iv) We serve as a bridge between our overseas media content/brand licensors and our customers on matters relating to the distribution

We act as an effective and efficient communication channel between our media content/brand licensors and our customers. We help our content/brand licensors to identify potential sub-licensees through our PRC/overseas offices. On the other hand, we also help our customers source various media content/brands from different licensors, and provide them our one-stop services so as to save their effort and resources from identifying the media content/brands and dealing with a number of media content owners/licensors. We offer a diverse portfolio of media content/brands for our customers to choose from, whereby our customers may purchase multiple media content/brands. We provide our insights regarding the market trend and demand of the relevant media contents and brands and offer market information such as market trend analysis to the relevant parties. We also provide feedbacks to the media content/brand licensors in relation to any demands/comments from our customers. We also obtain viewership records on media contents from our customers and provide the same to the media content/brands licensors which may facilitate their evaluation on their media content production.

(v) We have developed a close relationship with our customers which enables us to fully understand our customers' needs

We have a long operating history of over 18 years in media content distribution and brand licensing in the Asia Pacific region. We maintain a stable business relationship with our existing customers by understanding their changing needs and providing them with the aforementioned customised services. Over the years, we believe that we have developed a wealth of in-depth knowledge, experience and understanding on our customers' need which may not be readily replicated by our media content/brand licensors which give them an incentive to continue to retain our services rather than directly license to our customers.

Our Media Content Distribution Business

Under our Media Content Distribution Business, we focus on cooperating closely with the media licensors through entering into content distribution arrangements with them and are capable of distributing media content relating to animation series, variety shows, drama series and animated/live-action feature films to our customers through entering into content sub-licensing arrangements with them.

During the Track Record Period and up to the Latest Practicable Date, we had been granted licensing rights of 341 new titles of media content which were granted directly by approximately 60 media content licensors. During the Track Record Period, our top 10 media content licensors included some renowned media companies including Aniplex Inc., Avex Pictures Inc., Kadokawa Group, Kodansha Ltd., Shochiku Co. Ltd., Sunrise Inc. and TOHO Co., Ltd.. Our Media Content Distribution Business accounted for approximately 86.5%, 88.7%, 92.8% and 93.0% of our total revenue for the three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively.

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For the three years ended 31 March 2018 and the seven months ended 31 October 2018, the aggregate amount of revenue generated by our top five titles of media content was approximately HK\$40.6 million, HK\$85.5 million, HK\$90.3 million and HK\$113.1 million, representing approximately 27.5%, 36.5%, 31.0%, and 34.5% of the revenue from our Media Content Distribution Business respectively. The licensing periods of these titles ranged between three and 10 years, six and seven years, five and nine years, and five and nine years, respectively, for the same periods. As at the Latest Practicable Date, the remaining term of the licensing periods of these titles ranged between nil and five years, three and four years, three and six years, and four and six years, respectively, for the same periods.

We do not engage any third parties for the distribution of media content/sub-licensing of brands to our customers. As at the Latest Practicable Date, we held licensing rights for 403 active titles of media content, of which over 190 titles had a remaining licensing period of over three years. During the Track Record Period, our top 10 customers included operators of prominent online entertainment platforms and media networks such as ABS-CBN Corporation, Alibaba Group, Bilibili Inc., Eastern Broadcasting Co., Ltd., iQIYI Group, Netflix, Inc., Shenzhen Tencent Computer Systems Company Limited and TVB Group. As at the Latest Practicable Date, the content we distributed were able to reach viewers in the PRC, Hong Kong, Macau, Taiwan, the Philippines, Singapore, Thailand, Malaysia, Indonesia, India, Brunei and other countries.

Content distribution arrangements between the media content licensors and our Group

Our Group enters into content distribution agreements with the media content licensors pursuant to which various exclusive or non-exclusive rights to use, or rights to sub-licence, the use of the media content are granted to our Group in certain territories. Such rights may include TV rights, live streaming and catch up rights, non-theatrical rights, on-line rights, pay-per-view rights, theatrical rights, inflight rights, video/DVD rights, VOD rights and other rights.

Subject to the terms of the individual content distribution agreements entered into between the media content licensors and us, we are normally required to pay our licensors a minimum guarantee amount upon signing of the relevant agreements or by instalments at the early stage of the relevant licensing periods. Such amount of minimum guarantee is usually non-refundable but recoupable or shall be applied to set off against the royalty payable by us under the content distribution agreements.

Content sub-licensing arrangements between our Group and our customers

Once our Group has entered into content distribution agreements with the media content licensors, our Group will enter into content sub-licensing agreements with our customers pursuant to which we will grant our customers various exclusive or non-exclusive rights to use the media content (which we licence from the content media licensors) in certain territories.

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The media content licensors will not be involved in the negotiation of the terms of the content sub-licensing agreements between our Group and our customers, and our Group has the discretion to determine such terms including licence fees or royalty payable by our customers.

The following diagram illustrates our business model of our Media Content Distribution Business:



Our customers under our Media Content Distribution Business comprise (i) online entertainment platforms; (ii) TV and media network; and (iii) theatre circuit which are generally the end users releasing the media content to the viewers.

Our cooperation with local media companies using our proprietary “Ani-One” brand

In line with the business model of our Media Content Distribution Business, we started our cooperation with TVB Group in July 2016 by entering into a programme licence agreement pursuant to which we licensed to TVB Group VOD rights to use our licensed animation content in Hong Kong under our proprietary “Ani-One” brand on the OTT platform of “myTV SUPER”, an online media platform operated by TVB Group. Under the aforesaid agreement, TVB Group would pay us a licence fee representing a certain percentage of the net subscription fees charged by TVB Group in consideration of the rights we granted to TVB Group.

In view of the success of our “Ani-One” brand, we also cooperated with SMG Entertainment Sdn Bhd which operates a VOD service currently known as “dimsum” to provide our licensed animation content under a branded video on demand environment – “Ani-One” in Malaysia and Brunei.

See “Our business strategies – Replicate our success in our proprietary “Ani-One” brand and seek further opportunities to develop our Media Content Distribution Business” in this section for further details.

Operation flow of our Media Content Distribution Business

The operation flow of our Media Content Distribution Business is set out below:

- (i) Conduct market study to assess the market potential of media content

Our content department maintains ongoing business relationship with various media content licensors and participates in industry conferences and exhibitions to keep abreast of the market trends and the latest media content. If our content department considers that any media content has good market potential after it conducts some market study, our content department will prepare a proposal which includes reasons and factors on why it has good market potential, target markets and customers, expected revenue and as well as any recommendation for management's review and approval.

Our management will then conduct a feasibility study to determine whether or not to obtain the media content. Our management considers various factors which may include (i) content genre; (ii) track record of the media content licensors; (iii) the popularity of the content if already released in other regions; (iv); artwork design; (v) whether the content to be obtained is complementary to our existing content portfolio; (vi) whether we have already identified potential customers prior to obtaining such content; and (vii) market anticipation and acceptance of the media content.

- (ii) Entering into content distribution agreements with the media content licensors

Once our management decides to obtain the media content, our content acquisition department will approach the media content licensors for negotiation. If agreement can be reached, we will enter into a formal content distribution agreement with the media content licensor under which we are granted an exclusive or non-exclusive right to use, or right to sub-license the use of, the media content in the markets and languages specified in the content distribution agreements for an agreed period. The duration of the content distribution agreements varies generally from two to eight years. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we did not experience any difficulty in renewing our content distribution agreements and none of our content distribution agreement was terminated prematurely.

The cost of obtaining media content from the media content licensors generally consists of (i) an amount of minimum guarantee; and (ii) royalty, which represent a certain percentage of royalty payable to us by our customers. The amount of minimum guarantee for each content distribution agreement varies depending on the popularity, exclusivity, content type and revenue projection.

(iii) Entering into content sub-licensing agreements with our customers

Under the content distribution agreements entered into between our Group and our media content licensors, our Group was granted the right to sub-licence the use of the media content to third-party media companies of our choice. We are entitled to negotiate the terms of the content sub-licensing agreements and set the licensing price by ourselves. During the Track Record Period, we sub-licensed our media content to third-party media companies which released our media content in the Asia Pacific region.

To determine whether or not to sub-licence our media content, we will evaluate (i) the profile of the third-party media companies; (ii) their financial strengths; and (iii) our business relationship with the companies, among other things.

(iv) Localisation and quality assurance

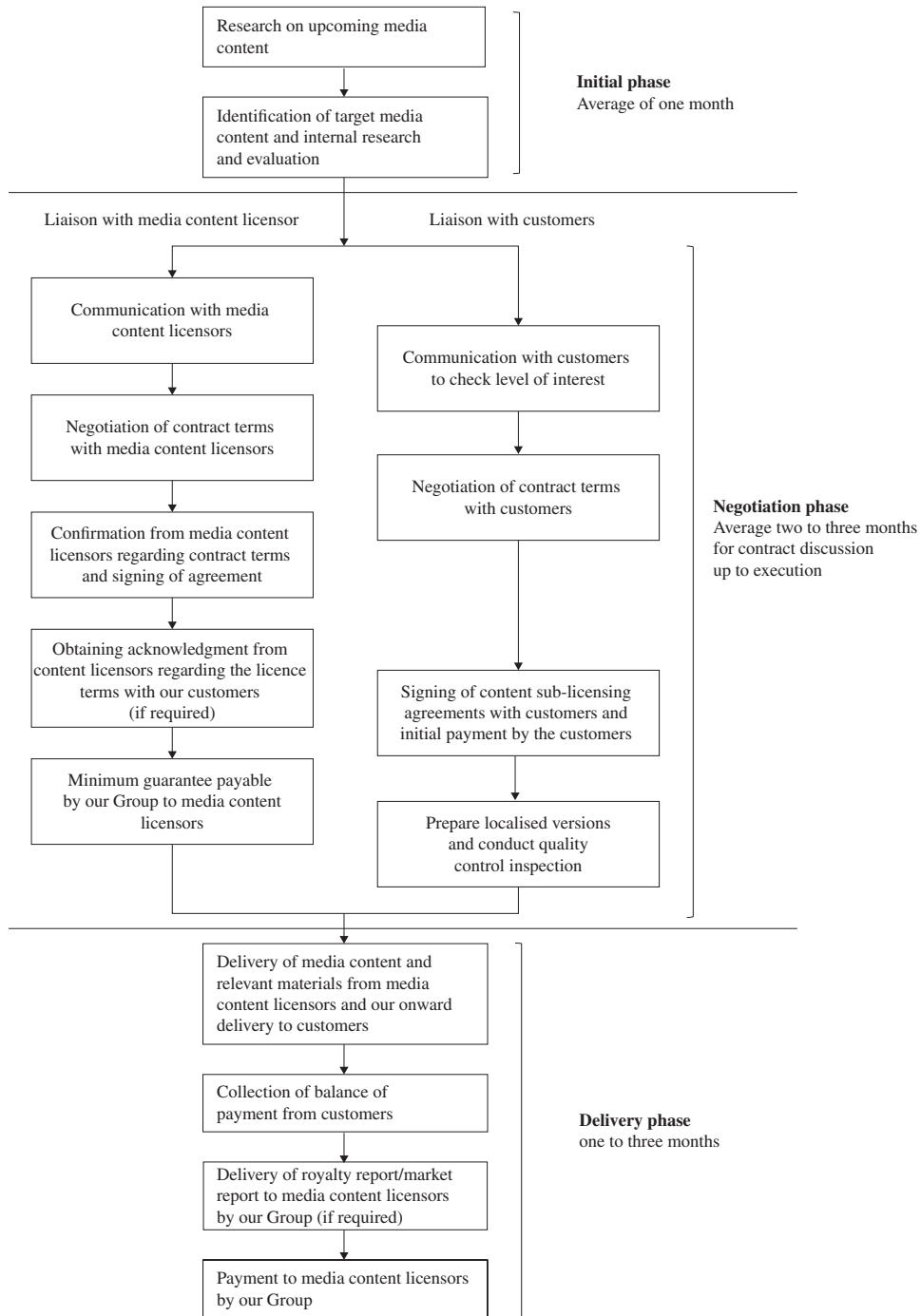
Most of the media content we held licence are originated from Japan. When we licence such media content to customers in other countries or regions such as the PRC, Hong Kong, Taiwan, Thailand or the Philippines, we may need to localise the media content to fit into the preference and demographics of the local viewers. The localisation work mainly involves (i) subtitling; (ii) dubbing and (iii) editing.

Our content team determines the extent of the modification needed on the language and element of the media content for the target customers. We carry out market study and fine tune our media content. If modification is required, our content team will submit a request to the media content licensor for its acknowledgement to modify the media content. As most of the media content we selected are originally in Japanese and produced in Japan, either our localisation content team or our external translation service provider is responsible for translating the languages used in the media content. We will then review, proof-read and fine tune the translation to ensure that the translation will be consistent with the original version.

Our content team will conduct quality control inspection on the overall elements, storyline, and artworks of our media content. If we identify any problem with our media content, we will inform our media content licensors and request them to fix it. After fixing such problem, media content will be examined again by our content team.

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Operation flowchart of our Media Content Distribution Business



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Salient terms of our content distribution agreements with our licensors

The following table sets out the salient terms of our content distribution agreements with our media content licensors:

Matters	Salient terms
Licensed titles	Each content distribution agreement generally covers a series of the media content or a feature film.
Licensing period	Two to eight years.
Rights to use content and/or right to sub-licence the use of content	Such rights may include TV rights, live streaming and catch up rights, non-theatrical rights, on-line rights, pay-per-view rights, inflight rights, theatrical rights, video/DVD rights, VOD rights and other rights. The agreements will also set out whether the licensed rights are exclusive.
Rights other than those related to media content	Some content distribution agreements may also include merchandising rights and other rights to use the relevant brands.
Territories and exclusivity	We are generally granted the rights to use content and/or right to sub-licence the use of content in various areas in the Asia Pacific region. Such rights can be either exclusive or non-exclusive.
Holdback	Our content distribution agreements may contain holdback on as of release of licensed media content under certain platform. For example, we shall not exploit our TV rights within one hour from the end of the Japanese TV broadcast of each episode.
Minimum guarantees and royalty	<p>We are normally required to pay our media content licensors a minimum guarantee upon signing of the agreements or by instalments at the early stage of the relevant licensing periods. Such amount of minimum guarantee is usually non-refundable but recoupable by or shall be applied to set off against the royalty payable by us.</p> <p>The amount of royalty payable by us to our licensors is generally fixed at a certain percentage of the royalty payable by our customers to us.</p>
Delivery of the materials	The format and specifications of the materials to be delivered to us and the proposed schedule of delivery.
Localised versions	We are generally granted the rights to localise the program by dubbing and/or subtitling into the authorised languages.
Termination	The media content licensor may terminate the agreement by giving us written notice if we commit a material breach of any terms of the agreement. Our Directors confirmed that none of our content distribution agreements was terminated prematurely during the Track Record Period and up to the Latest Practicable Date.

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Salient terms of our content sub-licensing agreements with our customers



The terms and conditions of our content sub-licensing agreements with customers have been negotiated on an arm's length basis. The following table sets out the salient terms generally included in our content sub-licensing agreements with our customers:

Matters	Terms and conditions
Licensed titles	Each content sub-licensing agreement may cover a number of titles of media content or a feature film.
Licensing period	Two to seven years.
Licensed right	Our content sub-licensing agreements typically set out the rights granted to the customer under such agreements, such rights may include TV rights, live streaming and catch up rights, non-theatrical rights, on-line rights, pay-per-view rights, inflight rights, theatrical rights, video/DVD rights, VOD rights and other rights. The agreements will also set out whether the licensed rights are exclusive.
Holdback	Our content sub-licensing agreements may include holdback of release of the licensed media content under certain media platforms. For example, our content sub-licensing agreements granting pay TV rights may set out a hold back period against all free TV release in the territory during the licensing period.
Territories and exclusivity	The agreements generally set out the territories of the licensed rights and whether such rights granted in the territory are exclusive or non-exclusive.
Number of runs	The agreements may set out the number of runs for the licensed content materials for TV rights.
Payment of licence fees	The agreements will set out the licence fees to be paid by our customers for the licensed rights. The amounts of the licence fees are generally fixed. The payments are generally required to be made by two to four instalments. The credit period is generally 30 to 45 working days after each payment milestone as specified in the agreements.
Delivery of the materials	The format and specifications of the materials to be delivered to us and the proposed schedule of delivery.
Termination	Either party may terminate the agreement by giving written notice to the other party if the other party commits a material breach of any terms of the agreement. Our Director confirmed that none of our content sub-licensing agreements was terminated prematurely during the Track Record Period or up to the Latest Practicable Date.



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Selection of our media content



During the Track Record Period and up to the Latest Practicable Date, we had distributed over 780 titles of media content for certain rights and use in certain territories as specified in the content distribution agreements, including the following media content:

Name of the media content	Description	Name of the media content licensor	First release date/ country of origin	Category
BAKI 	BAKI is a widely popular martial arts comic series by Keisuke Itagaki. The story involves the protagonist Baki Hanma, the youngest ever champion of underground fighting, and his fight against the formidable opponents; including his own father, Yujiro Hanma, who is widely regarded as the Strongest Thing Alive.	TMS Entertainment Co., Ltd.	2018 (Japan)	Animation series
Doctor-X 	Michiko Daimon is a stunningly beautiful and stubbornly self-reliant freelance surgeon who prides herself in her skills and dignity as a surgeon. Her new temporary employment is in a hierarchical university hospital where doctors pursue power and money rather than medical ethics. But the turmoil she causes is due to her integrity as a surgeon who will never ever compromise in her surgeries and treatments. The drama thoroughly portrays her totally delightful and yet extremely noble battle.	TV Asahi Corporation	2012 (Japan)	Drama series

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Name of the media content	Description	Name of the media content licensor	First release date/ country of origin	Category
<p>Food Wars! Shokugeki no Soma the Third Plate</p> 	<p>The third season of this animation series is about the continuation of the story of Yukihiro Soma at Japan's premiere and elite culinary school. This time, he's aiming for a place in "The Elite Ten", the top 10 students in the school who mainly decide which direction the school's curriculum should head on. However, unfortunate events are about to come as a former student comes back and successfully pushes himself into a position of power to push in a new, unpopular direction for the school. It's up to Yukihiro Soma to turn the tide.</p>	<p>Warner Bros. Japan LLC</p>	<p>2017 (Japan)</p>	<p>Animation series</p>
<p>Fullmetal Alchemist</p> 	<p>The story details the life and adventures of brothers Alphonse and Edward Elric. After losing their mother, the two brothers attempt to bring their dead mother back to life using the forbidden science of human alchemy, but unfortunately back fired making Ed lose his right arm and left leg and Al lose his body. As years passed, Ed (now with two mechanical limbs) and Al (still trapped in the armour) leave their childhood home, but still being concerned with each other's happiness. Ed, being a natural and skilled alchemist becomes known everywhere as the "Fullmetal Alchemist.", with their aim to search for any information on the fabled Philosopher's Stone, in the hopes of regaining their old bodies.</p>	<p>Aniplex Inc.</p>	<p>2003 (Japan)</p>	<p>Animation series</p>

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Name of the media content	Description	Name of the media content licensor	First release date/ country of origin	Category
<p>GINTAMA</p> <p>Live- Action Movie</p>	<p>GINTAMA</p> <p>LIVE-ACTION MOVIE</p> <p>Adapted from the famous Japanese manga, GINTAMA Live- Action movie is an action comedy film detailing the odd job requests of Gintoki and his companions Shinpachi and Kagura, when they receive two similar and highly connected jobs – Elizabeth to find Katsura and a swordsmith to search for the dangerous sword named Benizakura.</p>	<p>TV TOKYO Corporation</p>	<p>2017 (Japan)</p>	<p>Live-action feature film</p>
<p>Mobile Suit Gundam The Origin</p>	 <p>It is the re-telling of the story of Mobile Suit Gundam, focussing on the stories of Casval Rem Deikun also popularly known as Char Aznable and his sister Artesia known to many as Sayla Mass. It has six volumes so far, namely: Blue-Eyed Casval, Artesia's Sorrow, Dawn of Rebellion, Eve of Destiny, Clash at Loum, and Rise of the Red Comet</p>	<p>Sunrise Inc.</p>	<p>2015 (Japan)</p>	<p>Animation series</p>
<p>Music Station and Music Station Special</p>	 <p>This entertainment show is a Japanese music television program also known as M Sute or MS or M Station. It is a weekly one-hour program with the same concept as the American TRL or the British Top of the Pops, and it is home to various performances from local and overseas, highlighting as well music rankings and other music-oriented pop info.</p>	<p>TV Asahi Corporation</p>	<p>1986 (Japan)</p>	<p>Variety show</p>
<p>My Hero Academia</p>	<p>MY HERO ACADEMIA</p> <p>It is about the adventures, missions and struggle of a middle school student Izuku Midoriya who wants to be a hero more than anything or even anyone. Having no Quirk or special supernatural ability, he still continues to prove to everyone and to himself that he can achieve his ultimate dream of becoming a superhero just like his idol All Might. Various struggle and realizations await his road to superhero life.</p>	<p>TOHO Co., Ltd.</p>	<p>2016 (Japan)</p>	<p>Animation series</p>

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Name of the media content	Description	Name of the media content licensor	First release date/ country of origin	Category
No Game, No Life Zero <div style="display: flex; align-items: center; margin-top: 10px;">  </div>	<p>No Game, No Life Zero is set six thousand years before Sora and Shiro even make a mark in the history of Disboard. While chaos and destruction is rampant, a young man named Riku leads humanity towards the tomorrow he longs for. One day, in the ruins of an Elf city, he meets Shuvi, a female exiled “Ex-machina” android who asks him to teach her what it means to have a human heart.</p>	Kadokawa Group	2017 (Japan)	Animated feature film
UMARU-CHAN! UMARU-CHAN!	<p>Umaru is a renowned 16 year-old beautiful girl in the town, living with her elder brother Taihei. She acts like a perfect sister with kind heart, intelligence and popularity, who everybody admires. So who would believe how true Umaru is at home? Sleeping, gaming, watching TV, eating junk foods, drinking cola... are almost everything she does at home, leaving all the housework to her brother. Her camouflage is more than perfect that when one of her classmates visits her home by surprise and witnesses “true Umaru”, she pretends as if she is Umaru’s younger sister.</p>	TOHO Co., Ltd.	2015 (Japan)	Animation series

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We had distributed the following media content prior to the Track Record Period.

Name of the media content	Description	Name of media content licensor	First release date/ country of origin	Category
Cardcaptor Sakura 	<p>Sakura is a fourth grade schoolgirl. Her adventures begin when she accidentally opens a forbidden book containing magical cards that are immediately scattered in a gust of wind. She must capture the cards, or misfortune will follow wherever they land.</p>	NHK Enterprises, Inc.	1998 (Japan)	Animation series
Cocorico Creates a Legend 	<p>This an extremely unique, original and challenging prime time entertainment show. The concept of the program is clear and simple: Accomplish the given task and become a GOLDEN LEGEND. First aired in the year 2000, the comedy duo “Cocorico” takes on the role of MC. So many different tasks have been presented in the show, and especially popular projects of this show include “Battle of the Budgets” and “Surviving without a Penny”. The challengers are renowned people from various fields, including actors, models, comedians, university professors and so on. One of the attractions of the show is seeing how the participants make use of their given talent and knowledge. Also, the real characters of those participants are revealed in truly extreme challenges.</p>	TV Asahi Corporation	2000 (Japan)	Variety show



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Name of the media content	Description	Name of media content licensor	First release date/ country of origin	Category
Future GPX Cyber Formula 	<p>Cyber Formula is the future of Grand Prix auto racing where a mix of skilled driving and advanced technology ultimately determines who wins and loses. Hayato Kazami is thrust into the fast paced world of Cyber Formula racing when he accidentally becomes imprinted to Team Sugo's Asurada GSX after recovering the race car from would-be thieves. Now the he must prove to himself and to his teammates that he can compete with the best racers in the world.</p>	Sunrise Inc.	1991 (Japan)	Animation series
Godzilla: Tokyo S.O.S. GODZILLA: TOKYO S.O.S.	<p>After numerous rounds of combat with Japan's most furious monsters, the robotic beast Mechagodzilla is in for some much needed repairs when a handful of sprites appear before the scientists putting the machine back in fighting shape. It is not long before Godzilla, the most fearsome of all monsters, returns to the scene to prove his might once and for all. Godzilla is joined by Mothra for a reign of terror that threatens to devastate the island. With few alternatives, Japan's leaders pit the repaired Mechagodzilla against Godzilla and Mothra, but it quickly becomes unclear if the robot will obey its human creators or join forces with the flesh-and-blood monsters.</p>	TOHO Co., Ltd.	2003 (Japan)	Live-action feature film

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Name of the media content	Description	Name of media content licensor	First release date/ country of origin	Category
INITIAL D First Stage 	<p>The story is about the high school student Takumi Fujiwara who works as a gas station attendant by day and a delivery boy for his father's tofu shop by night. Takumi does not realise that his precise driving skills and his father's modified Toyota Sprinter AE86 Trueno will make him the top amateur road racer on Mt. Akina's highway. Due to this, different racing groups from all over the Gunma prefecture are challenging Takumi if he is definitely a legitimate top racer to beat.</p>	Kodansha Ltd.	1998 (Japan)	Animation series
Meteor Garden (流星花園) 	<p>Based on the Japanese manga "Boys Over Flowers", Meteor Garden features the story of a girl who finds herself the centre of attraction among the four wealthy and good-looking students at her university, popularly called the F4, after rebelling and standing up to their rampant bullying. And this is where the romance between the girl and two of the F4 developed.</p>	Comic Ritz International Productions Co., Ltd.	2001 (Taiwan)	Drama series
Ninjaboy Rantaro 	<p>Ninja trainees Rantaro, Kirimaru and Shinbei are far from being excellent ninjas. As they embark on their training at the Ninja school, they learn the full range of ninja skills with their tongue-in-cheek friends, ninja masters, and idol senior ninja trainees. All the unbelievable mistakes and confusion over the course of their training sets the base for loads of fun and entertainment.</p>	NHK Enterprises, Inc.	1993 (Japan)	Animation series
SBS Ingigayo- Live K-Pop 	<p>It is a South Korean music program broadcasted by SBS, featuring the latest and most popular Korean idols performing on stage.</p>	Link HK Entertainment Pty. Ltd.	1991 (South Korea)	Music show

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Name of the media content	Description	Name of media content licensor	First release date/ country of origin	Category
Ultraman Tiga (超人迪加) 	30 million years ago, Tiga, the Giant of Light, protected the ultra-ancient people. After the ultra-ancient civilisation died out, Tiga had transformed into a stone statue, but was resurrected when Tiga merged with the pilot Daigo of the GUTS defence team, who possessed the genetics to turn into light. At the same time, numerous inexplicable beings came to attack Earth from space or other dimensions. Earth in the 21st century faced a crisis of survival.	Tsuburaya Productions Co., Ltd.	1996 (Japan)	Animation series
Yu-Gi-Oh! Duel Monsters 	Yugi Moto is a boy who completed an ancient Egyptian artefact known as the Millennium Puzzle, making him inherit the spirit of the old Pharaoh residing it. To show his gratitude to the spirit who saved him from bullies and gave him new friends, Yugi has decided to aid the spirit out and look for a way to recover the spirit's lost memories so he can send him to the after life. But along the way, Yugi has to face different struggles and missions by engaging in Duel tournaments, battling different high-skilled opponents.	Nihon Ad Systems, Inc.	2000 (Japan)	Animation series

The table below sets out the number of active titles of media content available for our Media Content Distribution Business during the Track Record Period and up to our Latest Practicable Date:

	As at 31 March			As at 31 October	As at the Latest Practicable Date
	2016	2017	2018	2018	
Number of active titles of media content available (Note)	442	375	333	379	403

Note: A title was active if the licensing period of our content distribution agreement relating to that title was still valid. Over 90% of such titles were Japanese animation series.

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	For the year ended 31 March			For the seven months ended 31 October	From 1 November 2018 to the Latest Practicable Date
	2016	2017	2018	2018	
	Number of titles of media content expired	108	139	127	37
Number of renewed titles of media content	2	2	11	10	5
Number of new titles of media content sourced	77	70	74	73	47

Our Brand Licensing Business

Our Brand Licensing Business accounted for approximately 13.5%, 11.3%, 7.2% and 7.0% of our total revenue, respectively, for the three years ended 31 March 2018 and the seven months ended 31 October 2018. Our Group also engages in the Brand Licensing Business by entering into brand licensing arrangements with brand licensor and brand sub-licensing arrangements with sub-licensees who are our customers; or through acting as an agent of some of brand licensing. During the Track Record Period, our Group mainly conducted its Brand Licensing Business through some of its subsidiaries, namely MFE, MSG and MAL. Prior to our acquisition of its interest in August 2018, MAIL was owned as to 50% by Ms. Lovinia Chiu and 50% by Ms. Noletta Chiu. After MAIL became our wholly owned subsidiary in August 2018, our Brand Licensing Business had been further expanded. As at the Latest Practicable Date, our Group held brand licensing rights/act as the agent of 112 brands from over 40 brand licensors. We generally identify sub-licensees such as manufacturers/distributors of different product categories including toys, apparels and footwear, health and beauty products, food and beverage, and other sub-licensees for events, theme parks, shopping malls, cafes and restaurants in the Asia Pacific region for brands. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, the aggregate amount of revenue generated by our top five brands was approximately HK\$18.6 million, HK\$24.7 million, HK\$16.6 million and HK\$15.5 million, respectively, and the licensing periods of these brands ranged between one and 10 years, three and 10 years, three and 11 years and two and 10 years, respectively, for the same periods. As at the Latest Practicable Date, the remaining term of the licensing periods of these titles ranged between nil and six years, less than one year and six years, less than one year and six years and less than one year and eight years, respectively, for the same periods.

We currently operate our Brand Licensing Business under two different business arrangements:

Our Group as the brand licensee

Similar to our business model for our Media Content Distribution Business, our Group acts as the licensees of the brands and enter into a brand licensing agreement with the brand licensors under which the merchandising rights and other rights are granted to our Group.

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Our Group will then enter into a brand sub-licensing agreement with the sub-licensees, i.e. our customers, who will pay royalty to our Group.

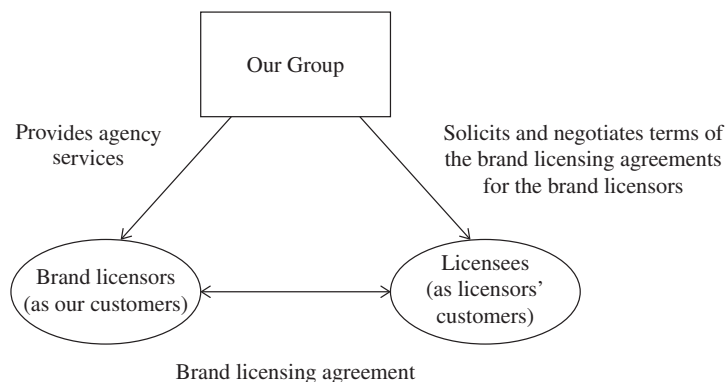


Our brand licensing agreements with the brand licensors may set out whether we are required to pay a minimum guarantee, if any. We may be required to pay our brand licensors a minimum guarantee upon signing of the agreements or by instalments at the early stage of the relevant licensing periods. Such amount of minimum guarantee is usually non-refundable but recoupable by or shall be applied to set off against the royalty payable by us.

Our Group as an agent for the brand licensors

Our Group acts as the agent of the brand licensors and enters into a brand agency agreement with them.

We provide our services for identifying potential licensees for the brand licensors. The brand licensors will enter into contractual relationships with the licensees and we may or may not become a party to the agreement.



Our Group acts as the agent of the brand licensors and enters into a brand agency agreement with them. We provide our services for identifying potential licensees, negotiate the terms of the licence agreement and assist in promoting the brand for the brand licensors. The brand licensors will enter into contractual arrangements with the licensees directly and we may or may not be a party to such contractual arrangements. If requested by the licensors, our Group may collect the royalty from the licensees on behalf of the licensors and to ensure that all royalty payments are made in a timely manner. We receive agency commission for providing our services to the brand licensors.

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The following table sets out our revenue of our Brand Licensing Business by nature of the revenue during the Track Record Period:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Sub-licensing of brands	16,722	72.2	21,899	73.6	13,538	59.5	9,565	67.7	16,099	65.2
Provision of licensing agency services	6,203	26.8	7,497	25.2	9,006	39.6	4,412	31.3	7,963	32.3
Sales of merchandises ^(Note)	220	1.0	365	1.2	210	0.9	145	1.0	620	2.5
Total	23,145	100.0	29,761	100.0	22,754	100.0	14,122	100.0	24,682	100.0




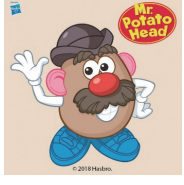

Note: We exploited the merchandising rights obtained from our licensors by engaging suppliers to design and produce merchandise for our own sale in certain exhibitions/promotional events.

Our licensed brands and/or brands of the brand licensors that we acted for as an agent


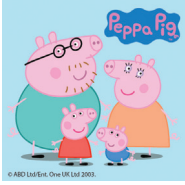

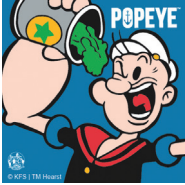

During the Track Record Period and as at the Latest Practicable Date, we were involved in the licensing of brands for certain rights and certain territories as specified in the relevant agreements, including the following brands:

Name of the brand	Description	Name of the brand licensor
Betty Boop	 <p>A female animated cartoon character first introduced in 1930, who has since become a popular cartoon character in the world.</p>	Hearst Holdings, Inc., King Features Syndicate Division
Garfield	 <p>An American comic strip created by Mr. Jim Davis, first published in 1978. It chronicles the life of the title character, the cat Garfield, Jon, his owner and Jon's dog, Odie.</p>	Paws, Incorporated



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Name of the brand	Description	Name of the brand licensor
Le Petit Prince	 <p>The most famous work of the French aristocrat, writer, poet and aviator, Antoine de Saint-Exupéry, a poetic story of a pilot's conversation with a little prince from another planet.</p>	LPP612
MONOPOLY	 <p>The MONOPOLY name and logos, the distinctive design of the gameboard, the four corner squares, the MR. MONOPOLY name and character, as well as each of the distinctive elements of the board and playing pieces, are trademarks of Hasbro, Inc. for its property trading game and game equipment.</p>	Hasbro Inc.
Mr. Men Little Miss	 <p>Originated from a series of children's books by English author Roger Hargreaves in 1971, it has been expanded to include over 90 Mr. Men Little Miss characters.</p>	Sanrio Global Asia Ltd
MR. POTATO HEAD	 <p>MR. POTATO HEAD and MRS. POTATO HEAD are trademarks of Hasbro and are used with permission.</p>	Hasbro International Inc.
MY LITTLE PONY	 <p>MY LITTLE PONY is a trademark of Hasbro Inc. Hasbro and used with permission.</p>	Hasbro Inc.

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Name of the brand	Description	Name of the brand licensor
PAC-MAN 	PAC-MAN is an arcade game first released in Japan in 1980. Upon its release, the game and, subsequently, PAC-MAN derivatives became a social phenomenon that yielded high sales of merchandise and inspired a legacy in other media.	BANDAI NAMCO Entertainment Inc.
Peppa Pig 	An animation series for pre-schoolers about a cheeky and slightly bossy little pig called Peppa, who lives with her little brother George, Mummy Pig and Daddy Pig.	Entertainment One UK Limited
PJ Masks 	A British/French animation series about three six-year-old friends: Connor, Amaya and Greg. They will turn into super heroes – the PJ Masks – Catboy, Owlette and Gekko at night to save their city and fight crimes.	Entertainment One UK Limited
Popeye 	Popeye is the sailor character created in 1928. The star of many comics and animated cartoons. He is best known for his squinting right eye, huge forearms with two anchor tattoos. He is super-humanly strong and can lift huge objects until he gains a boost in strength by eating spinach.	Hearst Holdings, Inc., King Features Syndicate Division
ROBOCAR POLI 	ROBOCAR POLI is a South Korean animated children’s television series. The key messages of this series are “sociality”, “live together”, “self-esteem”, “preciousness of family” through the rescue action on touching story lines.	ROI VISUAL Co., Ltd.

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Name of the brand	Description	Name of the brand licensor
Moomin	 <p>Created by Tove Jansson, a Finnish illustrator and writer, it is about the adventurous life of Moomin family and their friends in an idyllic and peaceful place called Moominvalley.</p>	Bulls Presstjänst AB
TRANSFORMERS	 <p>TRANSFORMERS is a trademark of Hasbro Inc. Hasbro and used with permission.</p>	Hasbro Inc.

The table below sets out the number of brands for our Brand Licensing Business during the Track Record Period and up to our Latest Practicable Date:

	As at 31 March			As at 31 October 2018	As at the Latest Practicable Date
	2016	2017	2018		
Number of brands available ^(Note)	74	76	71	107	112

Note: A title was active if the licensing period of our agreement with the brand licensor was still valid.

	For the year ended 31 March			For the seven months ended 31 October 2018	From 1 November 2018 up to the Latest Practicable Date
	2016	2017	2018	2018	
Number of brands expired	10	18	14	13	13
Number of renewed brands rights	1	2	0	0	6
Number of new brands sourced	7	18	9	49	12

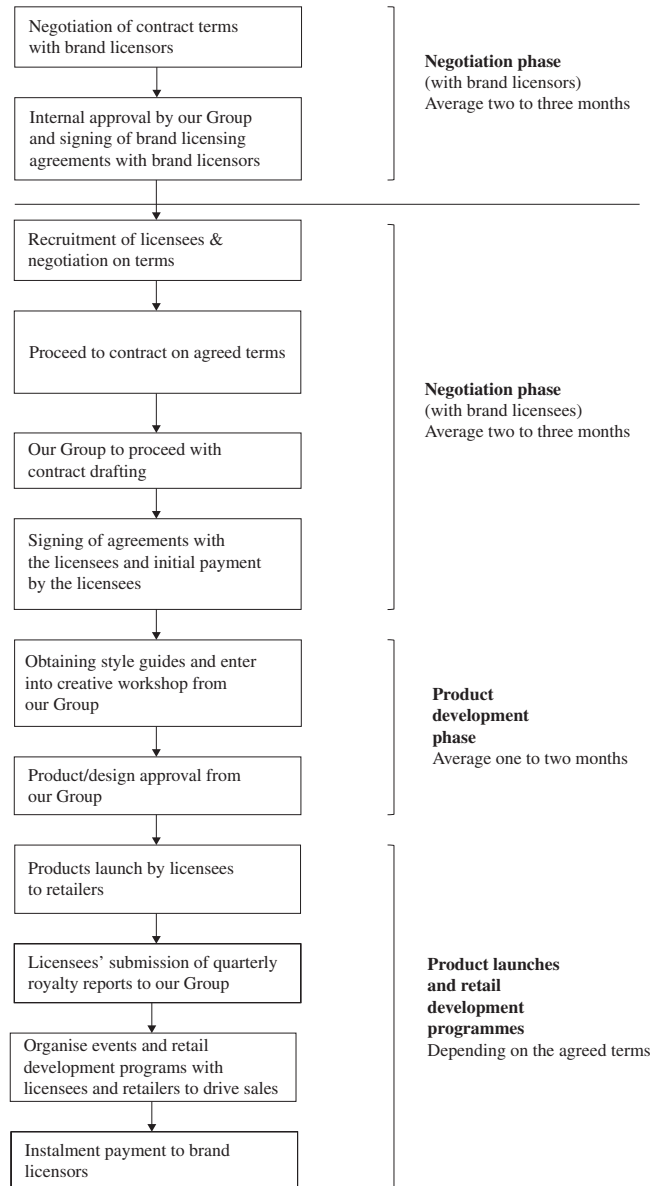
(Note)

Note: MAIL contributed licensing rights for 47 new brands to our Group as a result of the completion of the MAIL Acquisition in August 2018.

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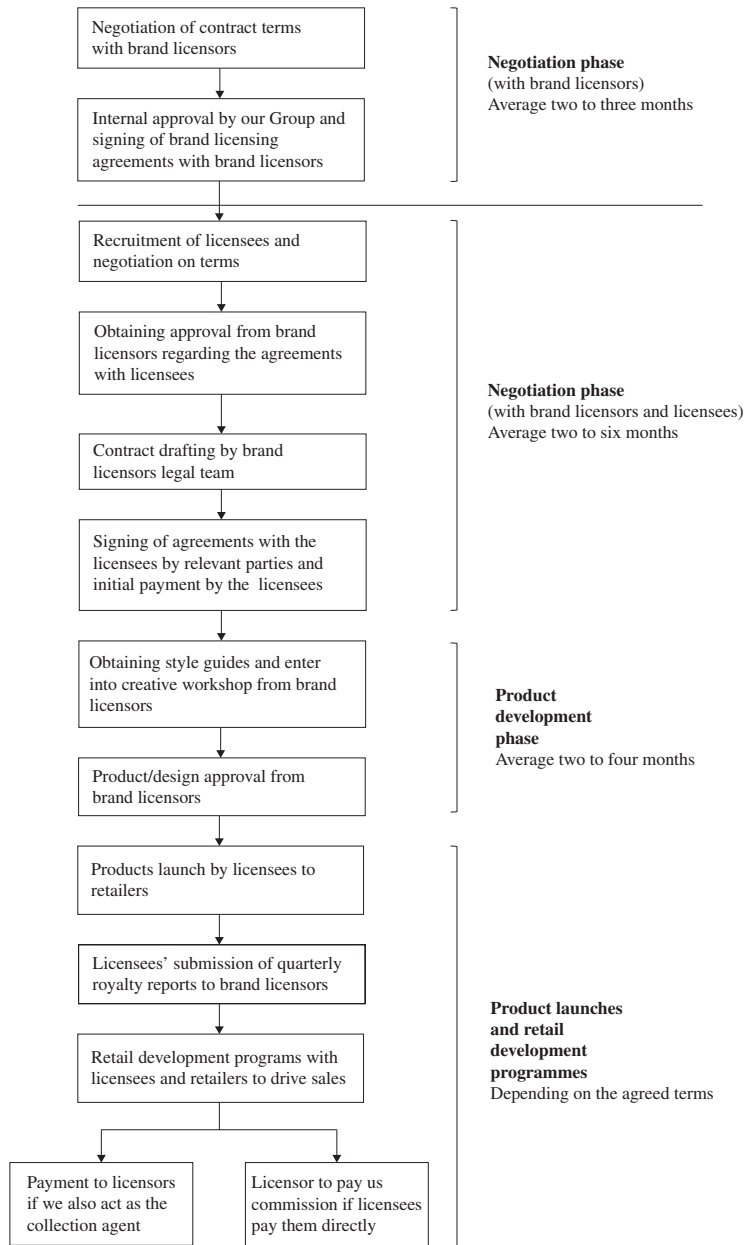
Operation flow for our Brand Licensing Business

The general workflow of our Brand Licensing Business operations when we act as a brand licensee is set out below:



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The general workflow of our Brand Licensing Business operations when we act as an agent for the brand licensors is set out below:



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Our Group as the brand licensee

Salient terms of our brand licensing agreements with our brand licensors

The terms and conditions of our brand licensing agreements have been negotiated with our brand licensors on an arm's length basis. The following table sets out the salient terms and generally included in these agreements:

Matters	Major terms and conditions
Our role	As the licensees of the brands/characters
Licensed brands	The agreements will set out the particulars of the brands.
Licensing period	Typically ranges from two to eight years.
Licensed right	Our agreements typically sets out the rights granted to us where the brands may be used (e.g. merchandising rights, location-based entertainment rights and promotion rights), including the rights to sub-license such rights. The agreements will also set out whether the licensed rights are exclusive or non-exclusive.
Territory	The agreements generally set out the territories of the licensed rights and whether such rights granted in the territory are exclusive. We are generally granted the rights to distribute in various territories in the Asia Pacific region.
Minimum guarantees and royalty	We may or may not be required to pay our brand licensors a minimum guarantee. The amount of minimum guarantee is usually non-refundable but recoupable by or shall be applied to set off against the royalty payable by us. The amount of royalty payable by us to our licensors is generally fixed at a specified percentage of the royalty payable by our customers to us.
Termination	The brand licensor may terminate the agreement by giving us written notice if we commit a material breach of any terms of the agreement. Our Directors confirmed that none of our brand licensing agreement was terminated prematurely during the Track Record Period and up to the Latest Practicable Date.

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Salient terms of our brand sub-licensing agreements with the sub-licensees

The terms and conditions of our brand sub-licensing agreements with the sub-licensees have been negotiated on an arm's length basis. The salient terms in our brand sub-licensing agreements are similar to those of our brand licensing agreements with the brand licensors. The following table sets out the salient terms generally included in our brand sub-licensing agreements with the sub-licensees:

Matters	Major terms and conditions
Our role	As master licensee of the relevant brand(s) from the perspective of the sub-licensees.
Licensed brand	The agreements will set out the particulars of the relevant brand(s).
Licensing period	Typically ranges from six months to five years.
Licensed right	The agreements typically set out the rights granted to the sub-licensees where the brand(s) may be used (e.g. merchandising rights, location-based entertainment rights and promotions rights). The agreements will also set out whether the licensed rights are exclusive or non-exclusive.
Territory	The agreements generally set out the territories of the licensed rights and whether such rights granted in the territory are exclusive.
Minimum guarantee and payment of licence fees	We may or may not require our sub-licensees to pay a minimum guarantee. The amount of minimum guarantee is usually non-refundable but recoupable by or shall be applied to set off against the royalty payable to us. The agreements will set out the royalty to be paid by the sub-licensees to us for the licensed rights. The payment is generally required to be made by one to two instalments. The credit period is generally 30 days after the payment milestone date as specified in the agreements. We may be entitled to sales-based royalty, from our sub-licensees when the cumulative royalty amount exceeds the minimum guarantee.
Termination	<p>Our licensee shall not manufacture or commence manufacturing products or other materials bearing the licensed brand in excess of that commercially reasonable to fulfill anticipated sales through to the expiration or termination of the agreement.</p> <p>We may have the right to terminate the agreement upon written notice if our licensee commit a breach of the provisions of the agreement.</p>

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Our Group as the agent for the brand licensors

Salient terms of our brand agency agreements with our brand licensors

The terms and conditions of our agreements have been negotiated with our brand licensors on an arm's length basis. The following table sets out the salient terms generally included in our agency agreements with our brand licensors:

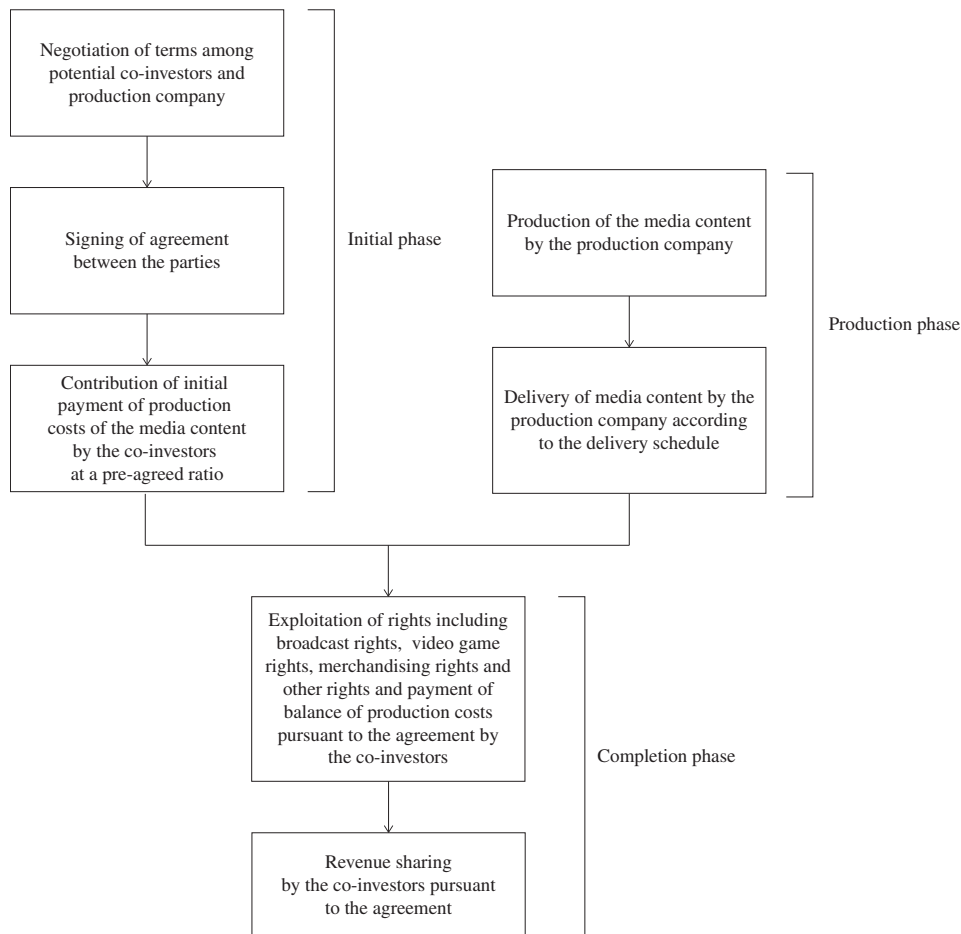
Matters	Major terms and conditions
Our role	As the agent of the brand licensors to identify potential licensees and provide relevant services to the brand licensors such as assist in the negotiation of terms with the licensees and collection of royalty, if required.
Term	Typically ranges from two to seven years.
Brands	The agreements will set out the particulars of the relevant brands.
Territory and exclusivity of distribution	The agreements generally set out the territories of the licensed rights and where our services are sought. The agreements will also set out whether we are the exclusive agent in that territory.
Minimum royalty target	Some of the agreements may set out whether our Group is required to meet a certain target of royalty payable to licensors. If the relevant royalty targets are not met, the brand licensors have the right to terminate the agreements or request us to pay a sum equivalent to any shortfall. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group was able to meet all targets.
Rate and payment of commission	The agreements generally set out our commission rate and the relevant payment terms.
Termination	Our brand licensor may terminate the agreement by giving us written notice if we commit a material breach of any terms of the agreement. Our Directors confirmed that none of our brand agency agreements was terminated prematurely during the Track Record Period and up to the Latest Practicable Date.

Our brand licensors will enter into contractual relationships with the licensees directly, we may or may not be a party to this contractual relationships.

Our investments

During the Track Record Period and up to the Latest Practicable Date, we had invested in four Japanese animation series, namely "Seisen CERBERUS", "Lost Song", "HaneBad!" and "RErideD – Derrida, who leaps through time –" together with other media studios/companies. One of the animation series was released in 2016 and the other three were released in 2018. We together with GREE, Inc., TV TOKYO Corporation and another media company invested in "Seisen CERBERUS" which was released in 2016 and we had the rights to broadcast and distribute through the internet and other platforms in Asia Pacific region.

Operation flow of investment in production of media content



The operation flow of our investment in production of media content is set out below:

(i) Conducting market study to assess the market potential of the production

Due to our experience and connections in the media content distribution market, we may be invited by other media companies to co-invest in production of media content from time to time. If our management considers that the media content to be produced has good potential, we will conduct a feasibility study to determine whether to invest in the project. Our management may consider various factors including (a) our relationship with the other co-investors of the production; (b) track record of the co-investors and the production company; (c) the story line and artwork design of the media content; (d) market anticipation of the media content; and (e) the production costs and the amount to be invested by our Group and the potential return of our investment.

(ii) Entering into project cooperation agreement with the co-investors and the production company

Once our management decides to co-invest in the media content production, our media content department will participate in the negotiation with the co-investors and the production company. If agreement can be reached with the parties, we will enter into a

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formal project cooperation agreement under which we are obligated to contribute to the production costs of the media content at a pre-agreed ratio. We may be granted the distribution rights, merchandising rights and/or other rights to exploit the media content for certain territories specified in the agreement. Pursuant to the agreement, the co-investors shall be entitled to share the revenue generated from the media content at a pre-agreed ratio. Pursuant to the agreement, the parties are entitled to terminate the agreement with any defaulting party who has breached the provisions of the agreement.

(iii) Production of the media content

The production company will commence the production of the media content pursuant to the delivery schedule set out in the agreement. The co-investors will settle the remaining amount of the productions costs pursuant to the schedule set out in the agreement.

(iv) Exploitation of rights and revenue sharing of the media content

Pursuant to the agreement between the parties, the co-investors may be entitled to different exploitation rights of the media content in various territories, including broadcast rights, video game rights, merchandising rights, internet distribution rights and other rights. Our Group is usually granted the broadcast rights, video game rights, merchandising rights and internet distribution rights in certain territories. After the holders of such rights have deducted a certain percentage of commission from the revenue generated from the media content by exploiting the rights granted to them, the co-investors are entitled to share the remaining revenue at a pre-agreed ratio.

During the Track Record Period, our total investment in four Japanese animation series amounted to HK\$18.4 million and we received a total investment income of HK\$3.8 million and generated a total distribution income of HK\$33.2 million from these series.

The following table sets out the breakdown of our investment income and distribution and licensing income from co-investment in the production and distribution of media content during the Track Record Period:

	For the year ended 31 March			For the seven months ended 31 October	
	2016	2017	2018	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>		
Investment income	77	25	544	22	3,253
Distribution and licensing income	–	659	858	–	31,656

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We have obtained adaptation rights of certain published materials, animation content and drama to produce live-action versions or a re-make such content. Such rights may be used in our future co-investment projects. Riding on our connections with media networks, we will continue to co-invest in the production of media content in the future. Based on our previous experience, we believe the benefits for co-investing in the production of media content are that: (a) we may be granted the rights to distribute the media content and other rights in certain territories without making any payment of minimum guarantee; (b) it may further enhance our relationships with the production studios/media companies which will benefit our Media Content Distribution Business in a long run; and (c) we will receive investment income from our investment in the media content in addition to distribution income.

SALES AND MARKETING

Marketing and promotion

We do not engage any third parties for the distribution of media content/sub-licensing of brands to our customers. Therefore, our media content licensors and our customers have to rely on us. We believe that our direct sales business model provides us with better control over the distribution network and broadcast/distribution schedule of our media content. We also visit our media content licensors and customers regularly to negotiate our distribution services with them in an advanced stage during the production of such media content.

To enhance the visibility and marketability of the media content we distribute, we participate and collaborate with our media content licensors to organise marketing booths in trade fairs and conventions on a regular basis each year so as to promote our media content to our potential customers. Through these trade fairs and conventions, we are able to showcase our media content to existing and potential customers, raise our corporate profile in the industry, expand our customer network and enhance our media content offerings. In 2018, we participated in a number of trade fairs, conventions, film and TV festivals, some of which are set out in the table below:

2018	Name of event	Description	Location
February	C3 Anime Festival Asia Hong Kong	A series of anime conventions held in the Southeast Asian region, with a core annual convention held in Japan, Hong Kong, Singapore, Indonesia and Thailand.	Hong Kong
March	Hong Kong International Film & TV Market	One of Asia's largest film and television exhibitions.	Hong Kong
	AnimeJapan 2018	Some of the biggest Japanese anime companies and organisations on exhibition.	Tokyo, Japan

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2018	Name of event	Description	Location
April	Wonder Festival	The main focus is to display and sell “garage kits”, which are sculptures that usually replicate anime and game characters, but also popular mecha/sci-fi characters and creatures.	Shanghai, the PRC
June	Vietnam International Exhibition On Film And Television Technology	An international exhibition specialised television diverse expertised in domestic and international appreciation.	Ho Chi Minh City, Vietnam
July	Animation-Comic-Game Hong Kong	A material-entertainment fair and book fair focussing on animations, manga, and games based in Hong Kong. Usually held around August, exhibiting and selling comic books and comic-related/animation-related/game-related products.	Hong Kong
	China International Cartoon & Game Expo*	An exhibition of comics and games. It is an important platform for discovering the popular development trend of the industry; for publicity and promotion of new products and works; for exchange and trading among industrial players; and a platform for interaction and entertainment for all.	Shanghai, the PRC
August	China Digital Entertainment Expo & Conference	A digital entertainment expo held annually in Shanghai. It is one of the largest gaming and digital entertainment exhibition held in the PRC and Asia.	Shanghai, the PRC
	Beijing International Comics & Animation Festival	One of the largest annual exhibitions of its kind in the PRC.	Beijing, the PRC
	Taipei Comic Exhibition*	The exhibition that integrates animation comics and games in Taipei once a year usually held in August.	Taipei, Taiwan

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2018	Name of event	Description	Location
October	MIPCOM (Marché International des Programmes de Communication)	The world's annual entertainment content market held in the French town of Cannes.	Cannes, France
	Japan Content Showcase – TIFFCOM	It is recognised as an important content market. Increasing appreciation and expectation of Japanese content including animation.	Tokyo, Japan
December	The Asia TV Forum & Market	A leading entertainment content event in Asia for professional to converge, connect, and collaborate.	Singapore

** For Identification Purpose Only*

For our Brand Licensing Business, we also attended numerous events during the Track Record Period. In 2018, we participated in the following events:

2018	Name of event	Description	Location
January	Hong Kong International Licensing Show	A licensing-focussed exhibitions in Hong Kong to assist licensors and licensing distributors to search for partners and expand their regional licensing network in Asia, in particular in the PRC.	Hong Kong
March	The Bologna Children's Book Fair	An international event dedicated to the children's publishing and multimedia industry.	Bologna, Italy
April	Licensing Japan	An international licensing trade show for characters and brands in one of the world's largest licensing markets.	Tokyo, Japan
May	Licensing Expo Las Vegas	Licensing Expo has connected some of the world's influential entertainment, character, art, and corporate brand owners and agents with consumer goods manufacturers, licensees and retailers.	Las Vegas, US

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2018	Name of event	Description	Location
July	China International Cartoon & Game Expo*	An exhibition of comics and games in the PRC.	Shanghai, the PRC
	Korea Character Licensing Fair	A cultural content licensing show in Asia aiming to making K-content global.	Seoul, Korea
	CBME China	A trade fair for children, babies and maternity products and services.	Shanghai, the PRC
August	Shenzhen IP Licensing Expo	A professional integrated business platform gathering in Shenzhen to create a large and diverse collection of properties and brands available for licensing worldwide.	Shenzhen, the PRC
October	Brand Licensing Europe	A pan-European event dedicated to licensing and brand extension, bringing together leading brand owners with retailers, licensees and manufacturers.	London, UK
	China Licensing Expo	A trading and learning licensing platforms in the PRC. Both domestic and international IP owners are offered opportunities to meet with agents and licensees from multi-industries.	Shanghai, the PRC

* For identification purpose only

We believe that these frequent opportunities to meet with our existing and potential suppliers and customers together with our local staff in Taiwan, Singapore, Malaysia, Indonesia, Beijing, Guangzhou and Shanghai have enabled us to closely monitor the market situations in different regions and maintain close relationships with them.

We also utilise other marketing channels such as TV commercials, film trailers, social media platforms, film premiers and other media platforms to promote our Group and our selected media content and brands.

During the Track Record Period, our promotion expenses were approximately HK\$3.2 million, HK\$1.5 million, HK\$5.3 million and HK\$2.3 million, respectively, representing approximately 1.9%, 0.6%, 1.7% and 0.7% of our total revenue during the same periods, respectively.

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Pricing policy

For our Media Content Distribution Business, we believe that it is important for our Group to maintain a steady source of supply of quality media content at competitive terms in order to ensure continuous success for our Group. We have an internal grading system to assess the amount of minimum guarantee to be paid to media content licensors. We take into account factors such as the reputation of the production studios/media companies, the number of episodes contained in the title of the media content, the quality of the media content, the type of media content, the reception of the media content and our relationships with the media content licensors in such assessment. Our in-house research teams in the PRC, Taiwan and Hong Kong generally review the media content well ahead of the anticipated release schedule, conduct market research and communicate with our suppliers regularly regarding the media content to be distributed.

We generally take into account the following factors when we negotiate the prices such as the amount of minimum guarantees, royalty rates, and commission income with our customers including the profile of our customers, the historical viewership of our customers if they are media content platforms, the popularity and quality of the media content, the amount of minimum guarantees we may be required to pay to the licensors, the potential marketing effect of distributing the media content through these particular customers, exclusivity and territories of distribution, marketing campaigns and tie-in merchandise sales and our relationship with these customers. We would generally take into consideration (i) the amount of minimum guarantees we pay to our licensors; (ii) the royalty rate at which we pay royalty to our licensors; and (iii) the number of potential customers when we fix the amount of minimum guarantee (if any) payable by our customers and/or licence fees we impose on the media content we distribute. Our Directors believe that our pricing strategy allows us to pass on part of the increase in purchase costs to our customers.

For our Brand Licensing Business, we also negotiate with our brand licensors to set the amount of minimum guarantees, if any, and the royalty rate based on forecast of sales and estimated demand conducted by our own team over the brands. We also adopt a pricing policy similar to Media Content Distribution Business when we set our minimum guarantee, if any, and the royalty rate with our customers.

Seasonality

Our Directors believe that the media content distribution and brand licensing industries in which we operate do not exhibit any significant seasonality.

OUR SUPPLIERS

Our major suppliers primarily include our media content licensors. As at the Latest Practicable Date, we had established relationships with our five largest suppliers for the Track Record Period for periods ranging from two to 17 years. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, purchases from our five largest suppliers

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were approximately HK\$69.8 million, HK\$109.8 million, HK\$106.4 million and HK\$143.4 million respectively, which accounted for approximately 67.8%, 67.1%, 61.9% and 65.9%, of our total purchases, respectively, during the same periods. During the Track Record Period and up to the Latest Practicable date, none of our Directors, their respective close associates, or any Shareholder (who, to the knowledge of our Directors, owned more than 5% of our issued capital as at the Latest Practicable Date), held any interest in any of our five largest suppliers for the Track Record Period.

The table below sets out the details of our five largest suppliers during the Track Record Period:

For the year ended 31 March 2016

Rank	Suppliers	Principal business activities	Year(s) of business relationship as at the Latest Practicable Date	Typical credit term and payment method	Amount of purchases <i>HK\$'000</i>	As a percentage of our total purchase %
1.	Supplier A	A Japan-based international advertising and public relations company and media content producer and distributor	16	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee is generally settled when we submit the quarterly royalty report, which is due 45 days after each quarter end.	25,999	25.3
2.	Supplier B	A Japan-based production company and distributor of films and animation series	14	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is generally settled when we submit the quarterly royalty report, which is due 30 days after each quarter end.	18,346	17.8

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Rank	Suppliers	Principal business activities	Year(s) of business relationship as at the Latest Practicable Date	Typical credit term and payment method	Amount of purchases <i>HK\$'000</i>	As a percentage of our total purchase %
3.	Supplier C	A Japan-based anime and music production and distribution company	14	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is generally settled when we submit the quarterly royalty report, which is due 30 days after each quarter end.	10,390	10.1
4.	Supplier D	A Japan-based publisher and media content producer	Eight	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is due 60 days after each quarter end.	8,989	8.7
5.	Supplier E	A Japan-based film, production and distribution company	Five	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is generally due 10 days after we receive the corresponding invoice.	6,061	5.9

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For the year ended 31 March 2017

Rank	Suppliers	Principal business activities	Year(s) of business relationship as at the Latest Practicable Date	Typical credit term and payment method	Amount of purchases <i>HK\$'000</i>	As a percentage of our total purchase %
1.	Supplier E	A Japan-based film, theatre production and distribution company	Five	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is generally due 10 days after we receive the corresponding invoice.	50,965	31.1
2.	Supplier D	A Japan-based publisher and media content producer	Eight	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is due 60 days after each quarter end.	16,689	10.2
3.	Supplier A	A Japan-based international advertising and public relations company and media content producer and distributor	16	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee is generally settled when we submit the quarterly royalty report, which is due 45 days after each quarter end.	16,673	10.2

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Rank	Suppliers	Principal business activities	Year(s) of business relationship as at the Latest Practicable Date	Typical credit term and payment method	Amount of purchases <i>HK\$'000</i>	As a percentage of our total purchase %
4.	Supplier F	A Japan-based total entertainment corporate enterprise consisting of motion picture division, theatre division and other division, engaged in production and distribution of animation and live-action series and films	17	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is generally settled when we submit the quarterly royalty report, which is due 30 days after each quarter end.	13,253	8.1
5.	Supplier G	A Japan-based distributor of home videos, theatrical films, television programs and merchandising goods	Two	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is generally due 30 days after we receive the corresponding invoice.	12,243	7.5

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For the year ended 31 March 2018

Rank	Suppliers	Principal business activities	Year(s) of business relationship as at the Latest Practicable Date	Typical credit term and payment method	Amount of purchases <i>HK\$'000</i>	As a percentage of our total purchase %
1.	Supplier D	A Japan-based publisher and media content producer	Eight	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is due 60 days after each quarter end.	38,080	22.2
2.	Supplier H	A Japan-based company which produces and distributes music, anime, home videos, games and other entertainment products	10	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is generally settled when we submit the quarterly royalty report, which is due 60 days after each quarter end.	21,660	12.6
3.	Supplier I	A subsidiary of a Japan-based company which publishes and distributes music, home videos, movies and games	11	Minimum guarantee is due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is generally settled when we submit the monthly royalty report, which is due 60 days after each month end.	18,602	10.8

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Rank	Suppliers	Principal business activities	Year(s) of business relationship as at the Latest Practicable Date	Typical credit term and payment method	Amount of purchases	As a percentage of our total purchase
					<i>HK\$'000</i>	<i>%</i>
4.	Supplier A	A Japan-based international advertising and public relations company and media content producer and distributor	16	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee is generally settled when we submit the quarterly royalty report, which is due 45 days after each quarter end.	14,279	8.3
5.	Supplier E	A Japan-based film, theatre production and distribution company	Five	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is generally due 10 days after we receive the corresponding invoice.	13,754	8.0

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For the seven months ended 31 October 2018

Rank	Suppliers	Principal business activities	Year(s) of business relationship as at the Latest Practicable Date	Typical credit term and payment method	Amount of purchases <i>HK\$'000</i>	As a percentage of our total purchase %
1.	Supplier E	A Japan-based film, theatre production and distribution company	Five	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is generally due 10 days after we receive the corresponding invoice.	58,125	26.7
2.	Supplier D	A Japan-based publisher and media content producer	Eight	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is due 60 days after each quarter end.	39,749	18.3
3.	Supplier G	A Japan-based distributor of home videos, theatrical films, television programs and merchandising goods	Two	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is generally due 30 days after we receive the corresponding invoice.	20,103	9.2

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Rank	Suppliers	Principal business activities	Year(s) of business relationship as at the Latest Practicable Date	Typical credit term and payment method	Amount of purchases	As a percentage of our total purchase
					<i>HK\$'000</i>	<i>%</i>
4.	Supplier B	A Japan-based production company and distributor of films and animation series.	14	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee is generally settled when we submit the quarterly royalty report, which is due 30 days after each quarter end.	15,861	7.3
5.	Supplier J	A Japan based television network engaged in TV production and broadcasting.	16	Minimum guarantee is generally settled by instalments with the first payment usually due upon execution of the content distribution agreement. Sales-based royalty which exceed the minimum guarantee paid is generally due 90 days after each quarter end.	9,547	4.4

BUSINESS

Our media content licensors and our brand licensors which were also our customers and one of our customers which acted as our brand licensor during the Track Record Period

During the Track Record Period, seven of our media content licensors and our brand licensors (from which we obtained licences under our licensing arrangements) (the “**Seven Content/Brand Suppliers**”) also contributed revenue to our Group under some occasions other than our usual licensing arrangements with them and therefore they were also considered our customers during the Track Record Period. These occasions took place when:

- (i) we had been licensed by some of the Seven Content/Brand Suppliers the rights to use the media content within certain regions and the subsidiaries of such Content/Brand Suppliers may have to obtain the relevant rights from us in order to use the same media content within those regions; or
- (ii) we successfully distributed our media content right to certain media platforms in some specified territories, where we may be entitled to a commission of a certain percentage of the royalty earned by the licensors on the brand licensing rights that they granted to other parties in the same territories; or
- (iii) we helped them arrange airtime from TV stations broadcasting their media content whereby we charged them fees for making such arrangement; or
- (iv) we received fees from them for making customer referrals to them which were not covered under our usual licensing arrangements with them.

The following table sets out the revenue and purchase from the Seven Content/Brand Suppliers as a percentage of our total revenue and total purchase during the Track Record Period:–

	For the year ended 31 March			For the seven months ended 31 October
	2016	2017	2018	2018
Our total revenue from the Seven Content/Brand Suppliers (HK\$ million)	1.8	1.9	2.1	1.3
Revenue from the Seven Content/Brand Suppliers				
– Such revenue as a percentage of our total revenue during the relevant year/period (%)	1.1	0.7	0.7	0.4

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	For the year ended 31 March			For the seven months ended 31 October
	2016	2017	2018	2018
	<p>Our total purchase from the Seven Content/Brand Suppliers (HK\$ million)</p> <p>Purchase from the Seven Content/Brand Suppliers</p> <p>– Such purchase from the Seven Content/Brand Suppliers as a percentage of our total purchase during the relevant year/period (%)</p> <p>Gross profit generated from the Seven Content/Brand Suppliers (HK\$'million)</p>	46.4	35.7	72.2
	45.1	21.8	42.0	26.4
	1.3	1.7	1.9	1.1

Our Directors confirmed that (i) the negotiations of the terms of our usual licensing arrangements with the Seven Content/Brand Suppliers were conducted separately from those of the occasions where they contributed revenue to us and were considered as our customers; and (ii) the transactions under the usual licensing arrangements and those under the occasions as described above were neither inter-connected nor inter-conditional with one another.

In addition, a brand licensor (which was one of our customers and paid us agency commission as we acted as its agent pursuant to our agency arrangement) (“**Customer G**”) licensed our Group the promotion rights of its brand in occasions other than our usual agency arrangement, and we paid Customer G royalty during the Track Record Period. Hence, such customer was also considered one of our suppliers during the Track Record Period.

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The following table sets out the purchase and revenue from Customer G as a percentage of our total purchase and total revenue during the Track Record Period:–

	For the year ended 31 March			For the seven months ended 31 October
	2016	2017	2018	2018
	Purchase from Customer G			
– Purchase from Customer G as percentage of our total purchase during the relevant year/period	Nil	Nil	0.02%	0.2%
Revenue from Customer G				
– Revenue from Customer G as percentage of our total revenue during the relevant year/period	2.9%	2.2%	1.8%	1.1%
Gross profit generated from Customer G (<i>HK\$'million</i>)	4.9	5.7	5.7	3.8

Our Directors confirmed that (i) the negotiations of the terms of our usual agency arrangement where we acted as an agent for Customer G were conducted separately from those occasions where we obtained payments brand rights from Customer G and we paid Customer G royalty payments; and (ii) the transactions under the usual agency arrangement and those under the occasions as described above were neither inter-connected nor inter-conditional with one another.

The salient terms of the above transactions with the Seven Content/Brand Suppliers and Customer G were similar to those with our other suppliers and customers, which our Directors consider were conducted under normal commercial terms.

None of our Directors, their respective close associates, or any of our Shareholder (who or which to the best knowledge of our Directors, owns more than 5% of the number of issued share of our Company) had any interest in any of the Seven Content/Brand Suppliers and Customer G during the Track Record Period.

OUR CUSTOMERS

During the Track Record Period and up to the Latest Practicable Date, our major customers primarily included operators of online media platforms and media networks, and our other customers under our Brand Licensing Business mainly included some brand licensors (where we acted as their agent) and sub-licensees such as manufacturers/distributors of different product categories including toys, apparels and footwear, health and beauty products and food and beverage and other sub-licensees involving events, theme parks, shopping malls, cafes and restaurants in the Asia Pacific region for brands.

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For the three years ended 31 March 2018 and the seven months ended 31 October 2018, the revenue attributable to our five largest customers was approximately HK\$104.8 million, HK\$182.0 million, HK\$252.7 million and HK\$289.2 million, respectively, which accounted for approximately 61.2%, 69.0%, 80.5% and 82.2%, of our total revenue for the same periods. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their respective close associates, or any Shareholder (who, to the knowledge of our Directors, owned more than 5% of our issued capital as at the Latest Practicable Date), held any interest in any of our five largest customers for the Track Record Period.

The table below sets out the details of our five largest customers during the Track Record Period:

For the year ended 31 March 2016

Rank	Customer	Principal business activities	Years of business relationship as at the Latest Practicable Date	Typical credit term	Revenue contributed	
					HK\$'000	%
1.	Customer A	A private online entertainment service provider based in the PRC	Five	Generally 30 working days after the payment milestone as specified in the underlying contracts.	35,584	20.8
2.	Customer B	A PRC based video sharing website/platform engaged in animation, comic and game-related services ^(Note 1)	Four	Generally 35 working days after the payment milestone as specified in the underlying contracts.	26,210	15.3
3.	Customer C	An online entertainment service provider based in the PRC ^(Note 2)	Six	Generally 30 working days after the payment milestone as specified in the underlying contracts.	17,218	10.1
4.	Customer D	An online entertainment service provider based in the PRC ^(Note 3)	Six	Generally 45 working days after the payment milestone as specified in the underlying contracts.	17,091	10.0
5.	Customer E	An Asian branch of a US-based private conglomerate managing a collection of cable television networks and properties	14	Payments are due generally on payment milestone dates specified in the underlying contract and upon acceptable delivery.	8,656	5.1

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For the year ended 31 March 2017

Rank	Customer	Principal business activities	Years of business relationship as at the Latest Practicable Date	Typical credit term	Revenue contributed	
					HK\$'000	%
1.	Customer D	An online entertainment service provider based in the PRC ^(Note 3)	Six	Generally 45 working days after the payment milestone as specified in the underlying contracts.	60,457	22.9
2.	Customer C	An online entertainment service provider based in the PRC ^(Note 2)	Six	Generally 30 working days after the payment milestone as specified in the underlying contracts.	59,351	22.5
3.	Customer A	A private online entertainment service provider based in the PRC	Five	Generally 30 working days after the payment milestone as specified in the underlying contracts.	33,766	12.8
4.	Customer B	A PRC based video sharing website/ platform engaged in animation, comic and game related services ^(Note 1)	Four	Generally 35 working days after the payment milestone as specified in the underlying contracts.	18,013	6.8
5.	Customer F	An online entertainment service provider based in the US ^(Note 4)	Three	Instalments are generally due by the 15th day of the following calendar month of each quarter as stipulated in the underlying contracts.	10,374	3.9

BUSINESS

For the year ended 31 March 2018

Rank	Customer	Principal business activities	Years of business relationship as at the Latest Practicable Date	Typical credit term	Revenue contributed	
					HK\$'000	%
1.	Customer C	An online entertainment service provider based in the PRC ^(Note 2)	Six	Generally 30 working days after the payment milestone as specified in the underlying contracts.	113,978	36.3
2.	Customer B	A PRC based video sharing website/platform engaged in animation, comic and game related services ^(Note 1)	Four	Generally 35 working days after the payment milestone as specified in the underlying contracts.	88,644	28.2
3.	Customer D	An online entertainment service provider based in the PRC ^(Note 3)	Six	Generally 45 working days after the payment milestone as specified in the underlying contracts.	38,190	12.2
4.	Customer F	An online entertainment service provider based in the US ^(Note 4)	Three	Instalments are generally due by the 15th day of the following calendar month of each quarter as stipulated in the underlying contracts.	6,139	2.0
5.	Customer G	A private comic studio and production company based in the US	Eight	Generally 30 days after each calendar quarter.	5,708	1.8

BUSINESS

For the seven months ended 31 October 2018

Rank	Customer	Principal business activities	Years of business relationship as at the Latest Practicable Date	Typical credit term	Revenue contributed	
					HK\$'000	%
1.	Customer B	A PRC based video sharing website/platform engaged in animation, comic and game related services ^(Note 1)	Four	Generally 35 working days after the payment milestone as specified in the underlying contracts.	125,905	35.8
2.	Customer C	An online entertainment service provider based in the PRC ^(Note 2)	Six	Generally 30 working days after the payment milestone as specified in the underlying contracts.	92,911	26.4
3.	Customer H	An online entertainment service provider based in the PRC ^(Note 5)	Five	Generally 45 working days after the payment milestone as specified in the underlying contracts.	39,262	11.2
4.	Customer F	An online entertainment service provider based in the US ^(Note 4)	Three	Instalments are generally due by the 15th day of the following calendar month of each quarter as stipulated in the underlying contracts.	16,358	4.6

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Rank	Customer	Principal business activities	Years of business relationship as at the Latest Practicable Date	Typical credit term	Revenue contributed	
					<i>HK\$'000</i>	%
5.	Customer D	An online entertainment service provider base in the PRC ^(Note 3)	Five	Generally 45 working days after the payment milestone as specified in the underlying contracts.	14,807	4.2

Notes:

1. Customer B is part of a listing group, of which the holding company is listed on the NASDAQ with revenue of approximately US\$600 million for the year ended 31 December 2018. As at 31 December 2018, the market capitalisation of such listed company was approximately US\$4 billion.
2. Customer C is part of a listing group, of which the holding company is listed on the NASDAQ with revenue of approximately US\$3 billion for the year ended 31 December 2018. As at 31 December 2018, the market capitalisation of such listed company was approximately US\$10 billion.
3. Customer D is part of a listing group, of which the holding company is listed on the New York Stock Exchange with revenue of approximately US\$40 billion for the year ended 31 March 2018. As at 31 December 2018, the market capitalisation of such listed company was approximately US\$355 billion.
4. Customer F is part of a listing group, of which the holding company is listed on the NASDAQ with revenue of approximately US\$15 billion for the year ended 31 December 2018. As at 31 December 2018, the market capitalisation of such listed company was approximately US\$116 billion.
5. Customer H is part of a listing group, of which the holding company is listed on the Stock Exchange with revenue of approximately RMB240 billion for the year ended 31 December 2017. As at 31 December 2018, the market capitalisation of such listed company was approximately HK\$3,000 billion.

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AWARDS AND ACCREDITATIONS

Our Group’s long-standing relationship with our major suppliers and customers and our commitment to providing excellent services are evidenced by the accolades awarded to us. The table below sets out some of the major awards and accreditations we received:

Year	Award	Organiser
2018	CLE Awards 2018 – The Best Oversea IP Awards – PJ Masks*	China Licensing Expo/China Licensing Federation*
2018	Jade Monkey Awards – Top 10 Licensing Team Awards*	Committee of China IP industry Annual Conference*
2017	Official Garfield All-Star – Outstanding Market	Paws, Incorporated
2016	Garfield Top Cat Award 2016	Paws, Incorporated
2015	China Animation Licensing Industry 2015 Top 10 International Brands In China – Le Petit Prince*	Development Research Centre of State Administration of Press, Publication, Radio, Film and Television of The People’s Republic of China & Committee of Summit Forum on China Animation Licensing Industry*
2015	China Animation Licensing Industry 2015 Top 10 International Brands In China – Moomin	Development Research Centre of State Administration of Press, Publication, Radio, Film and Television of The People’s Republic of China & Committee of Summit Forum on China Animation Licensing Industry*
2015	China Animation Licensing Industry 2015 Top 10 International Brands in China*	2015 Committee of Summit Forum on China Animation Licensing Industry*
2014	China Animation Licensing Awards Top 10 International Brands In China – Garfield	China Animation Licensing Awards
2014	Official Garfield All-Star – Outstanding Licensing Program	Paws, Incorporated
2011	Agent of the Year “You and Garfield: A Magical Combination”	Paws, Incorporated

* For identification purpose only

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Our Group is also committed to give back to society. Over the years, we have received the following awards for our corporate social responsibility work.

<u>Year</u>	<u>Award</u>	<u>Organiser</u>
2018	Co-sponsor Certificate for the ACCA Community Day	The Association of Chartered Certified Accountants
2017	Certificate of Appreciation for “Oxfam Rice Event”	Oxfam Hong Kong
2017	Certificate of Appreciation for “Yan Oi Tong Charity Walk”*	Yan Oi Tong Limited
2016	Family-Friendly Employers Award Scheme Family-Friendly Employer	Home Affairs Bureau & Family Council

* For identification purpose only

COMPETITIVE LANDSCAPE

Japanese animation content distribution market

According to the Frost & Sullivan Report, in terms of revenue, the top three players together accounted for approximately 34.9% of the Japanese animation content distribution market in the PRC in 2017. According to the Frost & Sullivan Report, our Company led the market and ranked at the first place among Japanese animation distributions in the PRC in terms of revenue in 2017, accounting for approximately 14.1% of the total market in the PRC.

IP licensing market

According to the Frost & Sullivan Report, at the end of 2017, there were approximately over 300 active IP licensors in the IP licensing market of the PRC. However, the number of licensing distributors was less than 100 due to shorter development history. Currently, entertainment/character is the major IP type in the PRC’s IP licensing market, among which animation and comics characters are the most popular licensed category for licensing distributors in the PRC.

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EMPLOYEES

As at the Latest Practicable Date, we had 86 full-time employees. The following tables set out the number of our full-time employees by department and location of our offices as at the Latest Practicable Date:

Departments	Number of our employees
Contract control and approval	9
Finance department	7
Human resources and administration	5
Media content team	26
Brand licensing team	36
Management	3
Total	<u>86</u>

Location	Number of our employees
Taiwan	6
Beijing	12
Guangzhou	6
Shanghai	7
Indonesia	7
Malaysia	2
Singapore	2
Hong Kong	44
Total	<u>86</u>

During the Track Record Period, our media content team was smaller in number of staff members than our brand licensing team even though we derived a majority of our revenue from our Media Content Distribution Business. As confirmed by our Directors, as compared to media content distribution, our Brand Licensing Business is more labour intensive because it involves a more comprehensive range of merchandising rights and targets a wider spectrum of customer types including manufactures/distributors of different product categories including toys, apparels and footwear, health and beauty products, food and beverage, and other sub-licensees involving events, theme parks, shopping malls, cafes and restaurants. As such, the workflow and procedures relating to our Brand Licensing Business could be more complicated than those of our Media Content Distribution Business. It generally includes more time-consuming steps such as product development and approval which may involve substantial negotiation and liaison work with the brand licensors and our customers. For

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details, see “Business – Our business model – Our Media Content Distribution Business – Operation flowchart of our Media Content Distribution Business” and “Business – Our business model – Our Brand Licensing Business – Operation flowchart of our Brand Licensing Business” in this prospectus.

We recruit our employees based on a number of factors such as their relevant work experience, education background, language ability and the needs of vacancies. We provide on-the-job training to employees to strengthen staff commitment and enhance their skills and technical knowledge at work.

Our employees have not formed any employee union or association. We believe that we maintain a good working relationship with our employees and we did not experience any significant labour disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

INSURANCE

As at the Latest Practicable Date, our Group maintained employees’ compensation insurance, group medical insurance for our employees and travel insurance for our employees in relation to business trips outside Hong Kong in relation to our operation.

During the Track Record Period, our Group had not made any material insurance claims. Our Directors believe that our insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practice. See “Risk factors – Risks relating to our business and industry” in this prospectus for further details.

HEALTH, SAFETY AND OCCUPATIONAL HEALTH AND SAFETY

We place emphasis on the health and safety of our employees in our operation. We provide our employees with guidance from time to time on work safety to ensure that all of our employees are abreast of our safety procedures and policies.

During the Track Record Period and up to the Latest Practicable Date, none of our employees had been involved in any major accident in the course of their employment with us and our Group had complied with applicable health and safety laws and regulations in all material respects.

ENVIRONMENTAL MATTERS

Our Group is not subject to environmental laws and regulations in our operations. As we do not carry out any manufacturing activity, our Directors consider that our business does not involve any environmental protection issue. We have not incurred any cost in complying with applicable environmental laws and regulations during the Track Record Period and up to the Latest Practicable Date.

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PROPERTIES

Properties that we owned

As at the Latest Practicable Date, our Group held a property in Shanghai, the PRC and a property in Singapore. The following table sets out the information of the properties we owned as at the Latest Practicable Date:

No.	Address	Usage
1.	Room 1204 on 12th Floor, UG2 Floor and Carpark 13, Tongquan Building, No. 678, Gubei Road, Changning District, Shanghai (上海長寧區古北路678號同詮大廈1204室及地下二層13號車位) (the “Shanghai Property”)	Office
2.	#08-08 & #08-10 Manhattan House, 151 Chin Swee Road, Singapore (the “Singapore Property”)	Office

We confirm that no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets. Our PRC Legal Advisers and Singapore Legal Advisers respectively confirmed that we hold valid titles of the Shanghai Property and the Singapore Property.

Leased office properties


The following table sets out the addresses and the lease term of certain office properties leased by us as at the Latest Practicable Date:

No.	Address	Term	Monthly rental
1.	Suite 1001A & B 10/F, Tower 1 South Seas Centre 75 Mody Road Tsim Sha Tsui East Kowloon Hong Kong	8 May 2017 – 7 May 2019	HK\$148,000
		8 May 2019 – 7 May 2021	HK\$149,000
2.	Unit 6A2 4/F, Tower 1 South Seas Centre 75 Mody Road Tsim Sha Tsui East Kowloon Hong Kong	16 April 2018 – 15 April 2020	HK\$36,580

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No.	Address	Term	Monthly rental
3.	Room 1403, Building E Poly World Trade Centre No. 1022 Xingang Road East Haizhu District Guangzhou China	1 January 2019 – 31 December 2019	RMB13,618 (Approximately HK\$15,383)
4.	605, 5/F, Building 17 Jianwai Soho West Zone No. 39 East Third Ring Road Middle Chaoyang District Beijing China 100022	27 November 2018 – 26 November 2019	RMB32,130 (Approximately HK\$36,101)
5.	16th floor Suite Mayapada Tower 05, Jl. Jend. Sudirman Kav. 28 Jakarta Indonesia 12920	1 January 2019 – 31 December 2020	Rp29,702,068 (Approximately HK\$15,936)
6.	Rm 705, Level 7 Tower 3, Oasis Wing Brunsfield Oasis No. 2 Jalan PJU 1A/7A Oasis Square Oasis Damansara 47301 Petaling Jaya Selangor Darul Ehsan Malaysia	1 January 2018 – 30 April 2019 1 May 2019 – 31 October 2019	MYR3,390 (Approximately HK\$6,332) MYR3,390 (Approximately HK\$6,332)
7.	11F-5 No. 207 Tun Hwa N. Road Taipei City Taiwan	1 September 2018 – 31 August 2019	NT\$86,000 (Approximately HK\$21,883)

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered our “” and “*Anti-One*” logos in certain regions and had submitted trademark applications in various regions for the protection of our intellectual property rights. Our trademark applications are submitted in those jurisdictions where our Directors believe to be our principal markets. See “Appendix V – Statutory and general information – A. Further information about our business – Intellectual property rights of our Group” in this prospectus for further information about our intellectual property.

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In general, in respect of the media content and brands that we supply to our customers in our Media Content Distribution Business and Brand Licensing Business respectively, we do not retain the intellectual property rights relating to those media content and brands, except the three Japanese animation series we invested together with other media studios/companies. For details, please see “Business – Our business strategies” in this prospectus. We will also engage external adviser to advise us on intellectual property protection issues as and when required. See “Risk factors – Risk related to our business and industry – We are subject to risks of piracy and copyright infringement” in this prospectus for further information on risks associated with intellectual property.

Our Directors are not aware of any material illegal distribution of the media content and counterfeiting issue in the PRC or other countries in respect of the brands sourced by our Group. In any event, our Group does not own the intellectual property rights in respect of the media content and brands sourced by our Group for its customers, except the three Japanese animation series we invested together with other media studios/companies. For details, please see “Business – Our business strategies – Invest in the production of animated/live-action media content” in this prospectus. Our Directors are aware that there were isolated cases of illegal distribution of our licensed media content and counterfeited products featuring the brands sourced by our Group in the PRC and other countries. Pursuant to some of our licensing agreements with our media content licensors and brand licensors, we may be obliged to inform them if we learn of any threatened or actual infringement of any of the intellectual property rights owned by media content licensors and brand licensors. Our Directors have designated personnel to monitor the intellectual property issue in the PRC or other regions from time to time. Our Group will initiate appropriate actions to curb the illegal exploitation of such rights, including issuing warning letters and seeking legal advice. Our Group will keep on monitoring the illegal distribution and counterfeiting issues.

LICENCES, PERMITS AND APPROVALS

In relation to the use of third-party owned media content and brands, our Group is required to obtain from the licensors the licensing rights to use and distribute such media content and license such brands. See “Our business model – Our Media Content Distribution Business – Salient terms of our content distribution agreements with our licensors” and “Our business model – Our Brand Licensing Business – Our Group as the brand licensee – Salient terms of our brand licensing agreements with our brand licensors” in this section for further details about the terms of our content distribution agreements and brand licensing agreements.

Save as the aforesaid, our Directors confirm that we have obtained all licences or permits in relation to conducting our businesses.

LEGAL AND COMPLIANCE

Legal proceedings

As at the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or any of our subsidiaries which could have a material adverse effect on our financial conditions or results of operations.

As at the Latest Practicable Date, we were not involved in any pending, threatened or actual litigations, arbitrations or other proceedings which we believe would materially and adversely affect our business, financial condition or results of operations.

Non-compliance incidents

Particulars of the non-compliance

MPL primarily engaged in the business of licensing and sub-licensing of intellectual property rights on animations, dramas, movies outside Hong Kong. MPL entered into licensing agreements for the use of licence rights in territories excluding Hong Kong. The negotiation and conclusion of contract terms and follow-up activities with overseas licensors and overseas licensees were performed by the key management of MPL outside Hong Kong. MPL was of the view that its profits were then derived from outside of Hong Kong (“**Offshore Claim**”). In 2014, the IRD raised certain enquiries to MPL on the source of licence fees for the years of assessment 2007/08 to 2011/12 (the “**Tax Incident**”), issued estimated assessments to MPL and requested MPL to furnish the profits tax returns for the years of assessment 2008/09 to 2011/12. MPL appointed a tax representative to liaise with the IRD to handle matters relating to the Tax Incident. In January 2016, the IRD initiated a tax field audit on MPL. Notwithstanding that MPL considered it had reasonable grounds to defend the Offshore Claim, in order to focus time and resources on business development, MPL made a settlement proposal in February 2017 to the IRD offering all of its profits for the years of assessment 2007/08 to 2015/16 for Hong Kong profits tax purposes on a compromise basis so as to facilitate an early settlement of the Tax Incident with the IRD and further offered to pay a penalty of HK\$3,850,000 to the IRD for the settlement proposal. In April 2017, the IRD accepted MPL’s settlement proposal and concluded that MPL committed an offence under section 80(2) of the IRO by failing to inform the IRD that MPL was chargeable to tax for the years of assessment 2010/11 to 2013/14 under section 51(2) of the IRO. The IRD, by exercising the power of compounding offences under section 80(5) of the IRO, agreed not to commence with proceedings against MPL under section 80(2) of the IRO if MPL would settle the tax penalty of HK\$3,850,000. Such amount was settled by MPL to the IRD in May 2017. On 24 July 2017, the IRD issued a settlement letter to MPL to confirm the completion of the tax audit case.

Reasons for the non-compliance

Our Company is of the view that the non-compliance was primarily due to a divergence of technical views between MPL and the IRD on the source of licence fees of MPL, as the directors of MPL considered that (i) MPL was a non-Hong Kong incorporated company and its business was carried and managed outside of Hong Kong, (ii) both licensors and licensees of MPL were mainly resided and operated overseas; (iii) the negotiation and conclusion of licensing contract terms and follow-up activities with overseas licensors and overseas licensees were performed outside Hong Kong, and (iv) the licensing rights were exercisable outside Hong Kong, and hence no Hong Kong profits tax should be payable by MPL in this respect.

Legal consequences

In April 2017, the IRD accepted MPL's settlement proposal and concluded that MPL committed an offence under section 80(2) of the IRO by failing to inform the IRD that MPL was chargeable to tax for the years 2010/11 to 2013/14 within the period prescribed under section 51(2) of the IRO. We have engaged the Tax Adviser to review issues regarding the Tax Incident. Our Tax Adviser is of the view that the non-compliance is (i) only the divergence of technical views on the controversial nature of the Offshore Claim which did not imply any credibility issue; (ii) the Tax Incident is not a question of incorrect return, non-disclosure or misrepresentation; (iii) the IRD agreed not to commence with proceedings against MPL but only fined MPL by way of penalty; and (iv) the IRD imposed a penalty which is lower than the normal penalty loading for cases where taxpayers fail to exercise reasonable care. Our Tax Adviser is of the view that the Tax Incident is not a case of tax evasion nor fraud or deceit.

Our Hong Kong Legal Counsel is also of the view that the Tax Incident does not constitute intentional and wilful tax evasion or involves any fraud or deceit with some of the reasons as follows: (i) MPL believed that its profits were offshore profits and therefore was not liable to profits in Hong Kong; (ii) as MPL had been scaled down, in order to save time and resources, MPL proposed to the IRD that all income should be regarded as taxable profits, in other words, MPL abandoned its Offshore Claim, and (iii) MPL had been cooperative and voluntarily disclosed all information without any pressures from the IRD after the IRD informed MPL of its tax liabilities. The offences committed were due to the different interpretation of the law. MPL had shown a genuine concern, seriousness, responsiveness and co-operation by promptly engaging a tax representative to deal with the Tax Incident. MPL was sincere and willing to compromise by making a sensible settlement proposal and paying full tax on all profits.

Our Hong Kong Legal Counsel is also of the view that the chances of having further penalties or potential legal consequences for the years of assessment 2007/08 to 2015/16 for our Group is remote.

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Operational and financial impact

Since the tax penalty of HK\$3,850,000 was settled on a compromise basis with the IRD by MPL in May 2017, such amount was reflected in the financial statements of MPL for the year ended 31 March 2017, and no provision has been made in the financial statements of our Group in respect of the Tax Incident. MPL had also settled Hong Kong profits tax of HK\$13,885,915 with respect to the years of assessment 2007/08 to 2015/16.

The income tax expenses of MPL in connection with the Tax Incident were charged to our Group's profit or loss in the corresponding financial years when such tax expenses were incurred. The income tax expense incurred for the year of assessment 2015/16 was charged to our Group's profit or loss in the year ended 31 March 2016, and those tax expenses incurred for the years of assessment from 2007/08 to 2014/15 were charged to MPL's profit or loss in the corresponding financial years of MPL which were prior to the Track Record Period.

As the IRD has not raised any queries on our Group's tax position since the completion of the Tax Incident in July 2017, our Tax Adviser is of the view that the risk of our Group being selected for tax audit again or being liable for any further tax, penalty, litigation or prosecution by the IRD is remote.

The Hong Kong Legal Counsel is of the view that the directors of MPL, including Ms. Lovinia Chiu, in handling the Tax Incident have satisfied the required level of skill, care and diligence as shown in MPL's genuine concern, seriousness, responsiveness and co-operation in the Tax Incident. Therefore, the Hong Kong Legal Counsel is further of the view that the Tax Incident has no negative implication on the character and integrity of the directors of MPL and does not affect their suitability to act as our Directors.

Enhanced internal control measures

In order to prevent the recurrence of similar incident, the Group has formulated and adopted the following internal control measures for tax filing:

- (a) our Group has engaged a tax representative on an ongoing basis to prepare and handle its tax filing;
- (b) our Group's finance department will review the tax returns, tax computations and related tax filing documents in order to ensure the completeness of tax filing process of each of the entities in the Group and recording any tax provision. Before the filing of any tax return, it will be reviewed and approved by our Group's chief financial officer and approved by the chief executive officer;
- (c) our Group will ensure its finance department is equipped with personnel having sufficient experience and knowledge on tax issue and tax filing. Our Group will arrange for trainings for the finance staff to reinforce their awareness on applicable tax laws, especially in respect of the tax obligation that may arise during the course of business of our Group; and

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- (d) our Audit Committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations.

Based on the above, our Tax Adviser considers that our Group has adopted reasonable measures to prevent recurrence of similar non-compliant incidents.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity on 25 April 2019 pursuant to which our Controlling Shareholders have agreed, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of liabilities which may arise as a result of non-compliance of our Group with the applicable laws, rules or regulations on or before the Listing Date as a result of the incident referred to in the section headed “Business – Legal and compliance – Non-compliance incidents” in this prospectus. See “Appendix V – Statutory and general information – D. Other Information – 2. Indemnity” in this prospectus for further details of the Deed of Indemnity.

Views of our Directors and the Sole Sponsor

We have engaged an internal control consultant to conduct a review of our internal control system (including those relating to the tax affairs). The internal control consultant has put forward recommendations based on their review of our internal control, in particular see “Internal control and risk management” in this section for further details of the internal control policy in relation to tax reporting. Accordingly, we have implemented the aforesaid suggestions in response to these findings and recommendations. The internal control consultant has completed the follow-up procedures on our internal control system (including those relating to the tax affairs) with regard to those actions taken by us.

Given the above rectification and improvement actions taken by our Group, and our business nature and scale of our operation, our Directors are of the view and the Sole Sponsor concurs, that our internal control system is adequate and effective for our current operation environment. The Sole Sponsor concurs with (i) the view of the Tax Adviser that the Tax Incident is as a result of the divergence of technical views on the controversial nature of the Offshore Claim and should not imply any credibility issues; and (ii) the view of the Hong Kong Legal Counsel that the non-compliance does not adversely affect the integrity and suitability of our Directors. On the basis that, (i) the non-compliance incident was unintentional, was primarily due to unfamiliarity of the relevant legal requirement by our handling staff and of a technical nature with respect to the Inland Revenue Ordinance, but did not involve any fraudulent act by our executive Directors, and did not raise any question as to the integrity of our executive Directors; (ii) we have taken rectification actions and implemented measures (including those relating to the tax affairs), as the case may be, in response to these findings and recommendations put forward by the internal control consultant; (iii) our Directors have undergone directors’ training on applicable legal or regulatory requirements, including the Listing Rules, and (iv) Guotai Junan Capital Limited has been appointed as the compliance

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adviser of our Company, our Directors are of the view, and the Sole Sponsor concurs, that the non-compliance incident does not have any material impact on the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules and the suitability of listing of our Company under Rule 8.04 of the Listing Rules.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have engaged an internal control consultant to conduct a review of our internal control system and have implemented (or will implement no later than the Listing) the relevant suggestions proposed by our internal control consultant, such as the internal control policy relating to the tax affairs, see “Legal and compliance – Non-compliance incidents” in this section for further details. Based on its review, the internal control consultant has not identified any material deficiencies regarding our Group’s internal control system. As our business continues to expand, we will continue to refine and enhance our internal control system to respond to the evolving requirements of our business operations. We will continue to review our internal control system to ensure due compliance with the applicable laws and regulations.

We have decided to adopt the following measures to ensure on-going compliance with the applicable laws and regulations and to strengthen our internal control upon Listing:

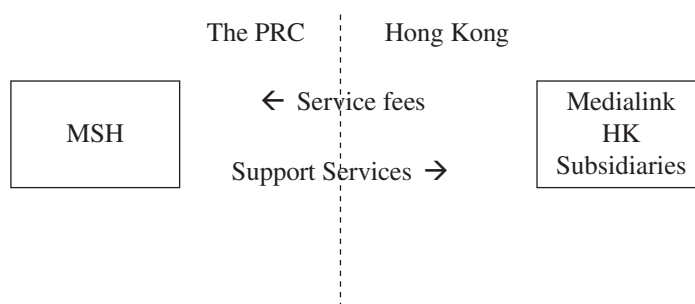
- (1) establishing internal control system manuals on corporate governance, operations, management, legal matters, finance, auditing and tax reporting setting out the internal approval and review procedures pursuant to which our employees at different departments shall comply with;
- (2) supervision and guidance by our Audit Committee comprising our independent non-executive Directors which is empowered to provide an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process etc;
- (3) hiring additional personnel to support our continued growth and development including candidates with professional experience and qualifications; and
- (4) engage external professional advisers (including compliance adviser with effect from Listing, as well as legal advisers as to Hong Kong laws, and tax advisers) to provide professional advice and guidance to our Group to ensure compliance with the applicable laws and regulations. We also expect our external professional advisers will provide internal training to our employees from time to time to ensure our employees are kept up-to-date to any legal and regulatory developments.

Based on the above, our Directors are of the view that our Company has taken reasonable steps to establish an internal control system and procedures to enhance the control environment at both the working and management levels, and that the internal control measures are adequate and effective for our Group’s business operations.

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TRANSFER PRICING ARRANGEMENT

During the Track Record Period, we derived majority of our revenue from the PRC. For operational efficiency, MSH, our subsidiary based in the PRC was engaged in the provision of support services (the “**Support Services**”) to certain of our subsidiaries based in Hong Kong (together, “**Medialink HK Subsidiaries**”). Medialink HK Subsidiaries paid service fees to MSH for the Support Services during the Track Record Period. The Support Services included, but were not limited to, providing administrative, sales and marketing supports, managing relationships with local customers and suppliers and arranging local events. A diagram detailing the business and logistics flow of the Support Services and business arrangements within our Group during the Track Record Period is set out below:



In accordance with the analysis prepared by our Group’s tax consultant on transfer pricing matters, our Group is of the view that MSH can be characterised as a routine service provider bearing limited risks and neither undertook any strategic or value-added activities nor owned any significant intangible assets during the Track Record Period and up to the Latest Practicable Date. The transactional net margin method (“**TNMM**”) and the mark-up on total costs were selected as the most appropriate transfer pricing method and profit level indicator, respectively, for the Support Services. Pursuant to the TNMM model, a mark-up will be applied on MSH’s total operating costs incurred for providing the Support Services. According to the benchmarking result, our Group shall plan the transfer pricing policy of the transactions through financial budgeting such that the mark-up on total costs of MSH would lay within the interquartile range between 1.20% and 6.12%. Our Group’s tax consultant on transfer pricing matters recommended a ratio of 5%, which is higher than the benchmark median of 4.32%, to mitigate any PRC transfer pricing risk. The actual mark-up on total costs achieved by MSH shall be closely monitored by our Group. The relevant analysis was conducted based on the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations issued by Organisation for Economic Co-Operation and Development, taking into account the prevailing transfer pricing regulations in Hong Kong and the PRC.

During the year ended 31 March 2018, our Group’s management reassessed the Support Services rendered by MSH for the period from 1 January 2015 to 31 March 2018 and initiated, negotiated and finalised the service arrangement, including the terms and service scope, to support the growth of our Group’s business in the PRC. As such, the service fee in respect of the Support Services provided during the two years ended 31 December 2016 was recharged by MSH in the three months ended 31 March 2018 and reported in MSH’s quarterly corporate

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income tax return for the six-month period ended 30 June 2018, which was filed in July 2018. For the year ended 31 December 2017 (“FY2017”), such recharge of service fee was reported in MSH’s FY2017 annual corporate income tax return, which was filed in May 2018. With the above-mentioned recharge of service fee, MSH earned a mark-up on total costs of 5.0%, 5.0% and 6.3% respectively for the three years ended 31 December 2017. For the three years ended 31 December 2017, MSH earned a weighted average mark-up on total costs of 5.53%, which is above the median and within the interquartile range identified. Since the annual service fee income is below the threshold of RMB40,000,000 stipulated under the State Administration of Taxation Notice [2016] No. 42 for other types of related party transactions, transfer pricing documentation is not required for MSH. Based on the above, our Group’s tax consultant on transfer pricing matters is of the view that, after the adjustments, our Group’s transfer pricing arrangement for the three years ended 31 December 2017 was in accordance with the arm’s length principle and in compliance with the applicable Hong Kong and PRC transfer pricing regulations.

In addition, pursuant to the prevailing China Corporate Income Tax (“CIT”) rules and its implementation regulation, the taxable income for CIT purpose should be recognised and calculated under an accrual basis when such income and expenses are incurred regardless of whether they have been actually received/paid. Since MSH’s contractual right over the service fees for the two years ended 31 December 2016 and the related amount of service fees became certain and reliably measured in the year ended 31 March 2018, such service fee income only met the revenue recognition criteria and recorded in the book of MSH in the three months ended 31 March 2018. Accordingly, the service fee income should be treated as taxable income in the three months ended 31 March 2018 from the CIT perspective. Our Group’s tax consultant on transfer pricing matters and our PRC legal advisers are of the view that the reporting of such service fee in MSH’s quarterly corporate income tax return for the six-month period ended 30 June 2018 does not violate the relevant PRC tax laws and PRC transfer pricing regulations as such service fee recharged by MSH were only incurred in 2018 after our Group management’s assessment.

For the six months ended 30 June 2018, service fee income was charged by MSH and reported in MSH’s quarterly corporate income tax return for the nine-month period ended 30 September 2018. MSH earned a mark-up on total costs of 5% for the six months ended 30 June 2018, which is above the median and within the interquartile range identified. Therefore, our Group’s tax consultant on transfer pricing matters considers that our Group’s transfer pricing arrangement for the six months ended 30 June 2018 was in accordance with the arm’s length principle.

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We have also adopted the following measures to ensure ongoing compliance with the relevant transfer pricing laws and regulations in Hong Kong and the PRC:

- our transfer pricing arrangements were monitored to ensure compliance with the arm's length principle;
- training was provided to the senior management relating to updates on relevant transfer pricing laws and regulations in the relevant jurisdictions to ensure no material deviation exists between the transfer pricing methodology adopted by us and the relevant laws and regulations; and
- all reporting forms are reviewed by two of our executive Directors before submitting to the relevant tax authority.

Having considered the above, our Directors are of the view, and the Sole Sponsor concurs, that such measures are sufficient and effective. See "Risk factors – Risks related to our business and the industry – Our Group's operations may be subject to transfer pricing adjustment" in this prospectus for further details of our Group's risks relating to transfer pricing.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information on our Directors:

Name	Age	Position in our Company	Date of joining our Group	Effective date of appointment as Director	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Ms. Chiu Siu Yin Lovinia (趙小燕女士)	54	Chairman of our Board, an executive Director and chief executive officer of our Company	Founder	29 October 2018	Formulating and implementing the overall development strategies and business plans of our Group and overseeing the overall development and operations of our Group	Sister of Ms. Noletta Chiu (an executive Director) and Ms. Barbara Chiu (a member of our senior management)
Mr. Cheung Wai Kit (張偉傑先生)	54	Executive Director and chief operating officer of our Company	17 March 2017	29 October 2018	Assisting chief executive officer of our Company with the implementation of business strategies as well as establishing and implementing policies and control measures for daily operations	None
Mr. Ma Ching Fung (馬正鋒先生)	43	Executive Director, chief financial officer and company secretary of our Company	30 September 2017	29 October 2018	Overseeing financial management of our Group	None
Ms. Chiu Siu Fung Noletta (趙小鳳女士)	50	Executive Director	27 September 2000	29 October 2018	Supervising and providing strategic advice on our Brand Licensing Business	Sister of Ms. Lovinia Chiu (Chairman of our Board, an executive Director and chief executive officer of our Company) and Ms. Barbara Chiu (a member of our senior management)

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position in our Company	Date of joining our Group	Effective date of appointment as Director	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Ms. Wong Hang Yee, JP (黃幸怡女士)	47	Non-executive Director	1 July 2016	29 October 2018	Providing strategic advice to our Board	None
Ms. Leung Chan Che Ming Miranda (梁陳智明女士)	66	Independent non-executive Director	22 April 2019	22 April 2019	Supervising and providing independent judgment to our Board	None
Mr. Fung Ying Wai Wilson (馮英偉先生)	65	Independent non-executive Director	22 April 2019	22 April 2019	Supervising and providing independent judgment to our Board, chairman of the Audit Committee	None
Mr. Wong Kam Pui, JP (黃錦沛先生)	64	Independent non-executive Director	22 April 2019	22 April 2019	Supervising and providing independent judgment to our Board	None

Executive Directors

Ms. Chiu Siu Yin Lovinia (趙小燕女士), aged 54, is the founder of our business, the chairman of our Board and the chief executive officer of our Company, an executive Director and chairman of the Nomination Committee. Ms. Lovinia Chiu is primarily responsible for formulating the overall development strategies and business plans of our Group and overseeing the overall development and operations of our Group. She was appointed as a Director on 29 October 2018. In addition, Ms. Lovinia Chiu currently holds the position of director in several subsidiaries of our Company, namely MAIL, MAL, MALTW, MEL, MFE, MHL, MPL, WSH and WSJ. She has over 30 years of experience in the content distribution industry.

Prior to founding our Group in 2000, Ms. Lovinia Chiu started her career in August 1988 in media program distribution as a marketing assistant at a private Hong Kong company engaged in content distribution. She later took on the role of marketing executive and subsequently director of the marketing and acquisitions department from November 1988 to January 1990 and January 1990 to June 1993 respectively. Ms. Lovinia Chiu later joined Media Assets Limited, a company under Star TV Group which primarily focuses on broadcasting services, as a sales manager from June 1993 to January 1994. Subsequently and up till the founding of our Group, Ms. Lovinia Chiu started to conduct media content distribution and its related licensing business in 1994 through a predecessor of our Group. Ms. Lovinia Chiu was also featured as one of the dynamic women entrepreneurs under the 2015 EY Entrepreneurial Winning Women Asia Pacific program organised by Ernst & Young. Ms. Lovinia Chiu is one

DIRECTORS AND SENIOR MANAGEMENT

of the judges and investors for the Pan-Asia Venture Development Platform, an independent and self-funded platform which engages EMBA and MBA students as well as graduates for the purpose of developing quality high-growth ventures in Asia.

Ms. Lovinia Chiu received her diploma in business administration from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) in July 1987. In August 2012, Ms. Lovinia Chiu also completed the CUHK EMBA-UC Berkeley Business Negotiations Program. She received her master's degree in business administration (Executive MBA programme) from The Chinese University of Hong Kong in November 2013.

Ms. Lovinia Chiu was previously a director of two companies, namely Fuse Agency Company Limited, a private company limited by shares incorporated in Hong Kong which was dissolved by way of deregistration on 4 May 2012 as well as Medialink International Limited, a private company limited by shares incorporated in Hong Kong which was dissolved by way of members' voluntary winding up on 27 October 2009. Ms. Lovinia Chiu confirmed that, to the best of her knowledge, each company was solvent and inactive at the time of its dissolution and she is not aware of any actual or potential claim that has been or will be initiated against her as a result of the dissolutions.

Ms. Lovinia Chiu is the sister of Ms. Noletta Chiu and Ms. Barbara Chiu.

Mr. Cheung Wai Kit (張偉傑先生), aged 54, is an executive Director and the chief operating officer of our Company. Mr. Cheung joined our Group on 17 March 2017 and is primarily responsible for overseeing and managing the operations of our Group. He was appointed as a Director on 29 October 2018. Mr. Cheung has been involved in the media programming and program licensing industry for over 18 years in numerous positions across multiple corporations, including:

Period	Company name	Principal business activities	Last position held	Roles and responsibilities
January 1988 to December 1996	Jade Network Programme Department at TVB Group (stock code: 00511), the shares of which are listed on the Stock Exchange	Free-to-air television broadcasting, programme production, licensing and distribution as well as digital media and publications	Manager (Jade purchasing & scheduling)	Programme acquisition and strategy Coordinating with Sales and Marketing department
October 2005 to August 2007	TVB Pay Vision Limited (formerly known as Galaxy Satellite Broadcasting Limited), a private company	Providing paid television and teleport services worldwide	Director – programming & marketing	Formulation of marketing strategy Acquisition of international channels Managing co-owned channels operated with major provincial TV channels in the PRC

DIRECTORS AND SENIOR MANAGEMENT

Period	Company name	Principal business activities	Last position held	Roles and responsibilities
September 2007 to March 2009	Asia Television Limited, a private company	Owning and operating terrestrial television broadcasting stations in Hong Kong	Vice president – head of programme	Programming of company channels Programme scheduling and acquisition
January 2010 to March 2017	Emphasis Video Entertainment Limited, a private company owned by Global Eagle Entertainment, (NASDAQ: ENT), the shares of which are listed on the Nasdaq Stock Market	Distribution and management of Asian-language movies and short feature programmes to airlines Global Eagle Entertainment offers airline content and connectivity services	Managing director	Formulation of buying and distribution strategies Acquisition of Asian movies and television programmes and distribution of the same to the worldwide inflight market

Mr. Cheung graduated with a bachelor's degree in social sciences from The Chinese University of Hong Kong in December 1987.

Mr. Cheung was previously a director of Sanity Investment Limited, a private company incorporated in Hong Kong with limited liability. This company was dissolved by way of deregistration on 24 June 2005. Mr. Cheung confirmed that, to the best of his knowledge, the company was solvent and inactive at the time of its deregistration and he is not aware of any actual or potential claim that has been or will be initiated against him as a result of the dissolution.

Mr. Ma Ching Fung (馬正鋒先生), aged 43, is an executive Director, the chief financial officer and company secretary of our Company. Mr. Ma joined our Group on 30 September 2017 and is primarily responsible for overseeing the financial management of our Group. He was appointed as our Director on 29 October 2018.

Mr. Ma has over 20 years of working experience in auditing, accounting and finance in numerous positions across multiple corporations. He began his career in auditing at Price Waterhouse (presently known as PricewaterhouseCoopers), an accountancy firm, in September 1998 and served as an audit manager before he left the firm in May 2004. He served as the finance manager of Pantene Industrial Co., Limited, a private company, from May 2004 to March 2005.

From March 2005 to April 2006, he was the finance manager of Hutchison Harbour Ring Limited, currently known as China Oceanwide Holdings Limited (stock code: 0715), the shares of which are listed on the Stock Exchange. Hutchison Harbour Ring Limited was at the time involved in the manufacture and marketing of toys, telecommunication accessories and electronic products.

DIRECTORS AND SENIOR MANAGEMENT

He was the group financial controller at IPE Group Limited (stock code: 0929), a company engaged in the manufacture and sale of precision metal components, the shares of which are listed on the Stock Exchange, from May 2006 to September 2007.

Mr. Ma served as a corporate controller and head of controlling at a private company involved in the production of primary and processed aluminium products from November 2007 to October 2012 and November 2012 to September 2017 respectively before joining our Group, where his duties included overseeing operations of the accounting department in China, reporting to the chief financial officer, liaising with external valuers and auditors for statutory audit as well as analysis and implementation of financial reporting systems.

Mr. Ma graduated with a bachelor's degree in accountancy from The Hong Kong Polytechnic University in November 1998. He subsequently obtained a master's degree in business administration (Executive MBA programme) at The Chinese University of Hong Kong in November 2013 for which he was entered onto the Dean's list. He has been a fellow of The Association of Chartered Certified Accountants since March 2008, the Hong Kong Institute of Certified Public Accountants since September 2014 and The Taxation Institute of Hong Kong since September 2014. He has been an associate of The Institute of Chartered Secretaries and Administrators since December 2016 and The Hong Kong Institute of Chartered Secretaries since December 2016.

Ms. Chiu Siu Fung Noletta (趙小鳳女士), aged 50, is an executive Director. She joined our Group on 27 September 2000 as the executive vice president for sales and acquisition strategies and was appointed as our Director on 29 October 2018. She is responsible for supervising and providing strategic advice on the Brand Licensing Business of our Group.

Ms. Noletta Chiu began her career as a production assistant. She subsequently focused on film distribution and video shooting and secured distribution rights to films. Subsequently and prior to joining our Group, Ms. Noletta Chiu worked for the predecessor of our Group, namely Medialink International Limited which was engaged in media content distribution.

Ms. Noletta Chiu graduated with a bachelor of arts degree (major in cinema and photography) from Southern Illinois University in March 1992 for which she was entered onto the Dean's list. Ms. Noletta Chiu is also the Oxfam Hong Kong's Advisor of Resources Development on Fundraising and Communications.

Ms. Noletta Chiu was previously a director of Fuse Agency Company Limited, a private company limited by shares incorporated in Hong Kong. This company was dissolved by way of deregistration on 4 May 2012. Ms. Noletta Chiu confirmed that, to the best of her knowledge, the company was solvent and inactive at the time of its deregistration and she is not aware of any actual or potential claim that has been or will be initiated against her as a result of the dissolution.

Ms. Noletta Chiu is the sister of Ms. Lovinia Chiu and Ms. Barbara Chiu.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Ms. Wong Hang Yee, JP (黃幸怡女士), aged 47, joined our Group on 1 July 2016 and was appointed as a non-executive Director on 29 October 2018. She is primarily responsible for providing strategic advice to our Board.

Ms. Wong has been a consultant for MEL since 1 July 2016. Prior to joining our Group, Ms. Wong worked at Maxim's Caterers Limited, a food and beverage catering company in Hong Kong, from February 2007 to August 2015 where her last position was head of legal. She then served as a consultant for Maxim's Caterers Limited from September 2015 to August 2016. Ms. Wong has been a consultant at Liao, Ho & Chan, a Hong Kong law firm, since September 2017.

Ms. Wong has been a member of each of the Competition Commission since May 2018, HKSAR Town Planning Board since April 2016, HKSAR Steering Committee on Review of the Regulation of Private Healthcare Facilities since October 2012, HKSAR Chinese Medicine Practitioners Board since September 2017, Social Enterprise Advisory Committee since January 2016, Audit Committee of West Kowloon District Authority since January 2017 and Hong Kong Council on Smoking and Health since October 2017. She has also been a council and court member of Hong Kong Baptist University since February 2017. She was the vice chairman of the HKSAR Human Organ Transplant Board from February 2013 to February 2019 and has been the chairman of the HKSAR Human Organ Transplant Board since February 2019.

Ms. Wong graduated with a bachelor's degree in law from the City Polytechnic of Hong Kong (currently known as the City University of Hong Kong) in December 1994. She obtained a master's degree in law from the University of London in November 1995 and was awarded the postgraduate certificate in laws from the University of Hong Kong in September 1996. She has been admitted as a solicitor in Hong Kong since September 1998 and a solicitor in England and Wales since December 1998.

Independent non-executive Directors

Ms. Leung Chan Che Ming Miranda (梁陳智明女士), aged 66, was appointed as an independent non-executive Director with effect from 22 April 2019 and is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, Ms. Leung started her career with MTR Corporation Limited (stock code: 0066), a public transport service company, the shares of which are listed on the Stock Exchange, as a public relations manager from August 1985 to January 1994. She then served as a corporate relations manager from February 1994 to December 2003 and as a general manager for corporate relations from January 2004 to January 2013. In January 2009, Ms. Leung was also appointed as a member of the executive committee for MTR Corporation Limited and remained in such position until her retirement in January 2013.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Leung graduated with a Certificate for Private Secretaries from Hong Kong Technical College (currently known as Hong Kong Polytechnic University) in July 1972. She has been a chartered fellow of The Chartered Institute of Logistics and Transport in Hong Kong since June 1997, a chartered member of The Chartered Institute of Transport (currently known as The Chartered Institute of Logistics and Transport) in the United Kingdom since October 1985 as well as a member of The Institute of Public Relations in the United Kingdom since January 1988.

Ms. Leung was a member of the Council for Sustainable Development from March 2009 to March 2015, the Women's Commission from January 2012 to January 2018 and has been a member of the Hong Kong Society for the Protection of Children since December 2011, the Hong Kong Equestrian Federation since May 2013, the Hong Kong Housing Society since July 2014, the Community Involvement Committee on Greening since March 2015 as well as the Advisory Committee on Built Heritage Conservation since May 2016. She was also appointed by The Hong Kong Equestrian Federation and The Equestrian Events (Hong Kong) of the Games of the XXIX Olympiad Company Limited as the National Technical Official for the Equestrian Events of the Beijing 2008 Olympic Games from 8 August 2008 to 24 August 2008 as well as the National Technical Official for the Equestrian Events of the Beijing 2008 Paralympic Games from 1 September 2008 to 12 September 2008.

Mr. Fung Ying Wai Wilson (馮英偉先生), aged 65, was appointed as an independent non-executive Director with effect from 22 April 2019 and is primarily responsible for supervising and providing independent judgment to our Board. He is also appointed as the chairman of the Audit Committee. Mr. Fung was the financial controller for Jardine Pacific Limited from June 1993 to March 2010. He then served at Jardine Matheson Limited, a private company principally engaged in providing management services to its parent company, namely Jardine Matheson Holdings Limited (LSE: JAR, BSX: JMHBD.BH, SGX:J36), the shares of which are listed on the London Stock Exchange, Bermuda Stock Exchange and Singapore Exchange respectively, as group financial controller from April 2010 to September 2014.

Mr. Fung has been a fellow of the Hong Kong Institute of Certified Public Accountants since July 1987 and served as the president of the same from December 2009 to December 2010. He has also been a fellow member of each of the Institute of Chartered Accountants in England and Wales since July 2017 and the Chartered Association of Certified Accountants (currently known as the Association of Chartered Certified Accountants) since May 1985. He is the founding president of the Hong Kong Business Accountants Association which was established in June 2014. Mr. Fung passed his Advanced Level General Certificate of Education Examinations in Hong Kong in or around 1973.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fung has taken up responsibilities with numerous Hong Kong governmental bodies. He has been a member of the Financial Reporting Council since December 2014, Hong Kong Productivity Council since January 2016 and Hong Kong Town Planning Board since April 2016. In addition he has been a board member of the West Kowloon Cultural District Authority since October 2016 and a council member of the Hong Kong University of Science and Technology since April 2017.

Mr. Fung has also taken up responsibilities with various non-governmental bodies. He has been chairman of the Hong Kong Dance Company Limited since November 2015 and an independent non-executive director of Hong Kong International Theme Parks Limited, a private company which owns the Hong Kong Disneyland Resort, since September 2018.

Mr. Wong Kam Pui, JP (黃錦沛先生), aged 64, was appointed as an independent non-executive Director with effect from 22 April 2019 and is primarily responsible for supervising and providing independent judgment to our Board. He is also appointed as the chairman of the Remuneration Committee.

Mr. Wong has extensive experience in human resources management and administration with local and international organisations of renown. He has been a council member of the Hong Kong Institute of Human Resources Management since June 2000 and later served as its president from July 2008 to June 2010.

He has also been the founder and director of RESOLUTIONS HR & Business Consultancy Company Limited, a private company principally engaged in the provision of business and human resources solutions as well as consultancy services, since March 2015. He served as the non-executive director of Bamboos Health Care Holdings Limited (stock code: 2293), the shares of which are listed on the Stock Exchange, from September 2014 to June 2018. In addition, Mr. Wong had/had taken up responsibilities with a number of Hong Kong governmental bodies and had served/had been serving as an adviser for various matters concerning the local community, including human resources, education, labour, welfare, commerce and economic development matters, details of which are set out below:

<u>Period</u>	<u>Organisation</u>	<u>Position</u>
January 2016 to December 2017	Rehabilitation Advisory Committee (Sub-committee on Employment)	Chairman
September 2009 to August 2017	Curriculum Development Council on Applied Learning	Chairman
Since November 2015	Advisory Committee on Travel Agents	Chairman

DIRECTORS AND SENIOR MANAGEMENT

Period	Organisation	Position
Since November 2017	Self-financing Post-secondary Education Fund Steering Committee	Chairman
Since July 2014	Cross-Industry Training Advisory Committee on Human Resource Management	Chairman
August 2012 to December 2018	Pay Trend Survey Committee of Standing Commission on Civil Service Salaries and Conditions of Service	Chairman
Since January 2019	General Disciplined Services Sub-committee of the Standing Committee on Disciplined Services Salaries and Conditions of Service	Chairman
Since May 2015	Hong Kong Education City Ltd. (an institution set up by the Hong Kong Education Bureau)	Director
Since September 2017	Hong Kong Housing Society	Executive committee member
Since December 2017	Hong Kong Institute of Certified Public Accountants	Council member
Since October 2015	Hong Kong Council for Accreditation of Academic and Vocational Qualifications	Council member
Since July 2018	Public Relations Committee, Scout Association of Hong Kong	Member
Since January 2018	Pneumoconiosis Compensation Fund Board	Member

DIRECTORS AND SENIOR MANAGEMENT

Period	Organisation	Position
January 2012 to December 2017	Rehabilitation Advisory Committee	Member
Since April 2016	Steering Committee on Promotion of Volunteer Service	Member
September 2009 to August 2015	Curriculum Development Council	Member
Since December 2014	Committee on Self-financing Post-secondary Education	Member
January 2012 to December 2018	Standing Commission on Civil Service Salaries and Conditions of Service	Member
Since August 2011	Career Development Board, The Chinese University of Hong Kong	Member
Since January 2019	Standing Committee on Disciplined Services Salaries and Conditions of Service	Member

Mr. Wong graduated with a bachelor's degree in business administration from The Chinese University of Hong Kong in December 1996. He subsequently obtained a master's degree in business administration from The Chinese University of Hong Kong in November 2013.

Except as disclosed above, none of our Directors had held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table provides information about members of our senior management:

Name	Age	Position	Date of joining our Group	Roles and responsibilities in our Group	Relationship with other Directors and members of our senior management
Ms. Chiu Siu Ling Barbara (趙小玲女士)	56	Director of human resources and administration	27 September 2000	Overseeing our daily human resources operations and proposing competitive compensation plans	Sister of Ms. Lovinia Chiu (chairman of our Board, an executive Director and chief executive officer of our Company) and Ms. Noletta Chiu (an executive Director)
Ms. Cheng Pui Fan (鄭佩芬女士)	34	Finance manager	12 August 2013	Reporting to the chief financial officer of our Company, and overseeing financial operations and ensuring the integrity of data and financial reporting for our Group	None
Ms. Lee Yat Ping (李逸屏女士)	45	Vice president (distribution and sales)	13 October 2000	Reporting to the chief executive officer of our Company, supervising programme distribution by content department, formulating sales strategies and identifying new business opportunities	None

Ms. Chiu Siu Ling Barbara (趙小玲女士), aged 56, joined our Group on 27 September 2000 where she served as an administrative executive until March 2017. She has been the director of human resources and administration as well as head of treasury for our Group since April 2017. She currently oversees our daily human resources operations and is also responsible for reviewing internal controls and liaising with financial service providers.

Ms. Barbara Chiu has over 20 years of experience in corporate administrative matters. She began her career as an administrative clerk in 1982. Subsequently, Ms. Barbara Chiu started working for BMI (Hong Kong) Limited as an administrative assistant in 1993.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Barbara Chiu graduated from Delia Memorial School in July 1982. She is the sister of Ms. Lovinia Chiu and Ms. Noletta Chiu.

Ms. Cheng Pui Fan (鄭佩芬女士), aged 34, joined our Group on 12 August 2013 and is currently the finance manager of our Group. Her responsibilities include reporting to our chief financial officer, overseeing financial operations as well as ensuring the integrity of data and financial reporting for our Group.

Ms. Cheng has over 10 years of working experience in accounting and finance. She began her career at CK Yau & Partners CPA Limited, a private firm of certified public accountants. Ms. Cheng worked as an audit assistant and subsequently as an audit supervisor from July 2006 to August 2011. From October 2011 to June 2013, Ms. Cheng worked as an accountant and subsequently as a senior accountant at Toon Express Group, a private company which primarily focuses on the licensing business for various brands. She was responsible for financial reporting, budgeting and performing financial analysis.

Ms. Cheng graduated with a bachelor's degree in accountancy from The Hong Kong Polytechnic University in December 2006. She has been a certified public accountant since February 2010 and is also a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Lee Yat Ping (李逸屏女士), aged 45, joined our Group on 13 October 2000 and is currently a vice president (distribution and sales) of our Group. Ms. Lee has over 20 years of experience in the media industry. Her current responsibilities include reporting to our chief executive officer, supervising programme distribution by the content department, formulation of sales strategies as well as identification of new business opportunities for our Group.

Ms. Lee began her career as a marketing assistant at Rich China Industries Holdings Limited, a private company principally engaged in the trading of health and beauty supplements, from August 1997 to December 1997.

Since joining our Group in October 2000, Ms. Lee has served numerous positions in MEL, including as senior manager from January 2004 to December 2009 and director from April 2015 to March 2017. She has been vice president (distribution and sales) since April 2017.

Ms. Lee graduated with a bachelor of arts degree in language information science from the City University of Hong Kong in November 1997.

Each member of our senior management had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Ma Ching Fung (馬正鋒先生) was appointed as the company secretary of our Group on 29 October 2018. See “Directors and senior management – Executive Directors” in this section for further details of the biography of Mr. Ma Ching Fung.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and seek advice from our compliance adviser 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 we propose 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 regarding unusual movements in the price or trading volume of our securities, the possible development of a false market in our securities or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules and distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.

BOARD COMMITTEES

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee has four members, namely Mr. Fung Ying Wai Wilson, Ms. Leung Chan Che Ming Miranda, Mr. Wong Kam Pui and Ms. Wong Hang Yee. Mr. Fung Ying Wai Wilson has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee include, among others, making recommendations to our Board on the appointment, reappointment and removal of the external auditor, reviewing our financial information, and assisting our Board in providing an independent view of our financial reporting, risk management and internal control systems.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee has three members, namely Mr. Wong Kam Pui, Mr. Fung Ying Wai Wilson and Ms. Wong Hang Yee. Mr. Wong Kam Pui has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, among others, making recommendations to our Board on our policy and structure for the remuneration of our Directors and senior management, establishment of a formal and transparent procedure for developing remuneration policy, and the remuneration packages of our executive Directors and senior management.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee has three members, namely, Ms. Lovinia Chiu, Mr. Wong Kam Pui and Ms. Leung Chan Che Ming Miranda. Ms. Lovinia Chiu has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, among others, making recommendations on any proposed changes to our Board to complement our corporate strategies.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration from us in the form of salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind with reference to those paid by comparable companies, the time commitment and performance of our Directors and senior management, as well as the performance of our Group. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among other things, the market level of remuneration and compensation paid by comparable companies, respective responsibilities of our Directors and performance of our Group.

The aggregate amount of remuneration (including fees, salaries, pension scheme contributions, discretionary bonuses, allowances and benefits in kind) paid to our Directors for the three years ended 31 March 2016, 2017 and 2018 as well as the seven months ended 31 October 2018 were approximately HK\$2.1 million, HK\$2.2 million, HK\$3.6 million and HK\$1.9 million respectively.

The aggregate amount of remuneration (including fees, salaries, pension scheme contributions, discretionary bonuses, allowances and benefits in kind) paid to our Group's five highest paid individuals, including Directors, for the three years ended 31 March 2016, 2017 and 2018 as well as the seven months ended 31 October 2018 were approximately HK\$5.0 million, HK\$8.1 million, HK\$8.5 million and HK\$4.4 million respectively.

No payment was made by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the Track Record Period.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed hereinabove, no other payments have been made or are payable in respect of the Track Record Period by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ended 31 March 2019 to be approximately HK\$9.4 million.

COMPETITION

Each of our Directors confirms that as at the Latest Practicable Date, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiry, save as disclosed in this prospectus, there is no additional information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules with the exception of code provision A.2.1, which requires the roles of chairman and chief executive officer to be taken up by different individuals.

Ms. Lovinia Chiu currently holds both positions as our chairman and chief executive officer. Throughout our business history, Ms. Lovinia Chiu has been the key leadership figure of our Group and has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. Taking into account the continuation of the implementation of our business plans, our Directors (including the independent non-executive Directors) consider Ms. Lovinia Chiu the best candidate for both positions and that the present arrangements are beneficial for and in the interests of our Company and our Shareholders as a whole.

In order to maintain good corporate governance and fully comply with the above code provision, our Directors will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the Capitalisation issue and the Global Offering (assuming that the Over-allotment Option is not exercised), our Controlling Shareholders will be beneficially interested in an aggregate of 75% of the issued share capital of our Company.

Ms. Lovinia Chiu, one of our Controlling Shareholders, is also the chairman of our Board, executive Director and chief executive officer of our Company. See “Directors and senior management” in this prospectus for further details on the background information on Ms. Lovinia Chiu.

DEED OF NON-COMPETITION

Each of our Directors and our Controlling Shareholders have confirmed that, as at the Latest Practicable Date, none of them or any of their respective close associates had interests in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

Our Controlling Shareholders provided a Deed of Non-Competition in favour of us, pursuant to which our Controlling Shareholders undertook not to, and to procure her/its respective close associate(s) (as appropriate) (other than our Group) not to, during the term of the Deed of Non-Competition, either directly or indirectly, alone or with a third party, engage in, participate in, support to engage in or participate in any business that competes, or is likely to compete with any business of our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and her/its close associates after the Listing.

Management independence

Our Board will comprise four executive Directors, one non-executive Director and three independent non-executive Directors upon Listing.

On the basis of the following reasons, our Directors consider that our Board is able to perform and manage our business independently from the Controlling Shareholders:

- (a) one-third of our Board is made up of independent non-executive Directors who have extensive experience in different industries and have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinion;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) each Director is aware of his/her fiduciary duties as a Director of our Company, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (c) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and
- (d) connected transactions between our Group and our Controlling Shareholders or her/its respective close associates are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable).

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently and manage our business independently from the Controlling Shareholders after Listing.

Operational independence

We have full rights to make business decisions and to carry out our business independent of our Controlling Shareholders and her/its respective associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent of our Controlling Shareholders and her/its respective associates after Listing:

- (a) we are not reliant on intellectual property rights owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders;
- (b) we have sufficient capital, equipment and employees to operate our business independently;
- (c) we have our own organisational structure which consists of various departments, each department being assigned with specific responsibilities; and
- (d) neither our Controlling Shareholders nor her/its respective associates have any interest which competes or is likely to compete with the business of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

We are financially independent of our Controlling Shareholders and her/its close associates. No loans or guarantees were provided by, or granted to, our Controlling Shareholders or her/its respective associates during the Track Record Period and as at the Latest Practicable Date.

Based on the above, our Directors are of the view that our Company is capable of carrying on our business independently of, and will not be unduly reliant on our Controlling Shareholders and her/its close associates after the Listing.

CORPORATE GOVERNANCE

Other than deviation from Code Provision A.2.1 as disclosed in “Directors and Senior Management – Code Provision A.2.1 of the Corporate Governance Code” in this prospectus, our Company will comply with the provisions of the Code, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration as well as communications with shareholders.

Our Directors recognise the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

- (a) where a Shareholders meeting is to be held for considering proposed transactions in which the Controlling Shareholders or her/its associates have a material interest, the Controlling Shareholders shall not vote on the resolutions and shall not be counted in the quorum for the voting;
- (b) the Company has established internal control mechanisms to identify connected transactions. Upon Listing, if the Company enters into connected transactions with the Controlling Shareholders or her/its associates, the Company will comply with the applicable Hong Kong Listing Rules;
- (c) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in “Directors and Senior Management” individually and together possess the requisite knowledge and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

experience. All of our independent non-executive Directors are experienced. They will review whether there are any conflicts of interest between the Group and the Controlling Shareholders annually and provide impartial and professional advice to protect the interest of our minority Shareholders; and

- (d) we have appointed Guotai Junan 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 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' rights after the Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

Name of Shareholder	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company as of the date of this prospectus	Approximate percentage of interest in our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
RLA	Beneficial owner	1,494,000,000	100%	75%
Ms. Lovinia Chiu ⁽²⁾	Interest of controlled corporations	1,494,000,000	100%	75%

Notes:

- (1) All interests stated are long positions. The number of Shares represents Shares held following the completion of the Global Offering.
- (2) Ms. Lovinia Chiu, our founder, chairman of our Board, an executive Director and chief executive officer of our Company, holds the entire share capital of RLA, which in turn directly holds 1,494,000,000 Shares. Accordingly, Ms. Lovinia Chiu is deemed to be interested in the 1,494,000,000 Shares held by RLA.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required 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 will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised share capital of our Company as at the Latest Practicable Date and the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

	Number of Shares	HK\$	Approximate percentage to total share capital
Authorised share capital upon incorporation of the Company			
Shares of HK\$0.01 each	38,000,000	380,000	100.0%
Authorised share capital which is increased immediately before the completion of the Global Offering and as of the Latest Practicable Date			
Shares of HK\$0.01 each	5,000,000,000	50,000,000	100.0%
Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised)			
Share in issue as of the date of this prospectus	1	0.01	0.1%
Shares to be issued pursuant to the Capitalisation Issue	1,493,999,999	14,939,999.99	74.9%
Shares to be issued pursuant to the Global Offering	498,000,000	4,980,000.00	25.0%
Total	1,992,000,000	19,920,000.00	100.0%

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 exercise of the Over-allotment Option, 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.

SHARE CAPITAL

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all 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 Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares.

Pursuant to the Companies Law and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into 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 reduce or redeem its share capital by shareholders' special resolution. For more details, see "Appendix IV – Summary of the constitution of our Company and Cayman Islands Company Law" in this prospectus.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandates, see "Appendix V – Statutory and general information – A. Further information about our Group – 5. Resolutions in writing of our Shareholders passed on 12 April 2019" in this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial information, including the notes thereto, as set out in “Appendix I – Accountants’ Report” to this prospectus. The combined financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in the section headed “Risk factors” of this prospectus.

OVERVIEW

We are a leading distributor of third-party owned media content headquartered in Hong Kong with presence in the PRC, Singapore, Malaysia, Taiwan, Indonesia and Japan. Under our Media Content Distribution Business, we cooperate closely with the media content licensors through entering into content distribution arrangements with them and are capable of distributing media content relating to animation series, variety shows, drama series and animated and live-action feature films to our customers through entering into content sub-licensing agreements with them. In particular, we believe that we have a well-established position in distributing Japanese animation.

Leveraging our strong experience in our Media Content Distribution Business, our Group also engages in the Brand Licensing Business, where we are involved in the licensing of various rights in relation to brands owned by brand licensors including certain merchandising rights, for the use in toys, apparels and footwear, health and beauty products, food and beverage; location-based entertainment rights for events, theme parks, shopping malls, cafes and restaurants; and promotion rights in the Asia Pacific region.

During the Track Record Period, our revenue was derived from our Media Content Distribution Business and Brand Licensing Business. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our total revenue was approximately HK\$171.1 million, HK\$263.8 million, HK\$313.9 million and HK\$352.1 million, respectively, while our net profit for the year/period were approximately HK\$35.3 million, HK\$53.6 million, HK\$93.8 million and HK\$97.1 million, respectively.

BASIS OF PRESENTATION

The financial information has been prepared by our Directors based on accounting policies which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, on the basis of presentation as set out in notes 2.1 and 2.2 in section II of the Accountants’ Report contained in Appendix I to this prospectus, and no adjustments have been made in preparing the financial information.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

General economic conditions in the Asia Pacific region and the Japanese animation industry

During the Track Record Period, a majority of our revenue was derived from the distribution of Japanese animation in the Asia Pacific region that is susceptible to the overall economic conditions and disposable income in the Asia Pacific region. In addition to the overall economic condition, other general conditions such as the regulatory environment, the popularity of Japanese animation and willingness to spend may affect the industry and our results of operations. In particular, the Japanese animation content distribution market in the PRC has surged at a CAGR of 67.9% from 2013 to 2017 and is expected to grow at a CAGR of 15.3% from 2017 to 2022. As we expect the demand for Japanese animation will continue to grow, our success depends on, among others, our ability to capture such growth, and thus, realise it in our results of operations.

Ability to source high-quality and popular media content and expand distribution platforms

Our revenue from Media Content Distribution Business was primarily driven by the popularity of our media content and the number of distribution platforms in different countries. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, we generated revenue of approximately HK\$147.9 million, HK\$234.1 million, HK\$291.1 million and HK\$327.4 million, respectively, from our Media Content Distribution Business, representing 86.5%, 88.7%, 92.8% and 93.0%, of our total revenue for the respective periods. Thus, our financial performance is highly susceptible to the success of our Media Content Distribution Business which mainly depends on our ability to distribute high-quality and popular media content to our customers.

Our ability to provide high-quality, popular media content for our customers depends in part on our ability to source media content from media content licensors. We typically enter into content distribution agreements with media content licensors. The licensing periods and the terms and conditions of such licences vary. If our media content licensors and other holders of rights are no longer willing or able to license media content to us upon terms acceptable to us, our ability to offer media content to our customers will be adversely affected.

Also, our ability to expand our distribution platforms or channels for our licensed media content in different countries may affect the accessibility of our licensed media content, and hence, is critical to the growth of our revenue.

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Ability to negotiate and business relationship with third party media content licensors or brand licensors

In addition to the popularity of our media content sourced, our gross profit margin is also highly susceptible to the royalty rates agreed with our media content licensors under the Media Content Distribution Business and brand licensors under the Brand Licensing Business.

Our cost of sales, gross profit and gross profit margin during the Track Record Period were affected by the changes in the royalty rates agreed with the media content licensors under the Media Content Distribution Business and commission or royalty rates with the brand licensors under the Brand Licensing Business. Any changes to our business relationship with the media content licensors and brand licensors may affect the royalty rates or commission rates and the chance of renewal in the future. Thus, our results of operations are susceptible to the business relationships with our licensors.

Net realisable value of licensed assets

Our licensed assets represented the remaining amount of minimum guarantee which had not been recouped. Our licensed assets amounted to approximately HK\$72.7 million, HK\$84.6 million, HK\$107.8 million and HK\$155.2 million as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 October 2018, respectively, which accounted for 28.7%, 24.3%, 25.3% and 24.9% of our total assets as at the respective date. Our unrecouped minimum guarantee paid for our top five titles of media content in terms of the licensed assets amounted to approximately HK\$17.7 million, HK\$39.1 million, HK\$35.1 million and HK\$40.8 million as at 31 March 2016, 2017 and 2018 and 31 October 2018, respectively, which accounted for approximately 24.4%, 46.2%, 32.5% and 26.3% of our total licensed assets as at the respective date.

Such licensed assets may be subject to write-down if the costs of licensed assets are lower than the net realisable value, which represents the estimated selling prices less any estimated costs to be incurred to disposal. If we fail to recoup our minimum guarantee paid by us against the royalty payable to the content licensors, our licensed assets may be subject to write-down. During the Track Record Period, we had net written-down of licensed assets to net realisable value of approximately HK\$6.1 million, net reversal of approximately HK\$0.4 million, net reversal of approximately HK\$1.1 million and net written-down of approximately HK\$0.3 million, respectively, for the three years ended 31 March 2018 and the seven months ended 31 October 2018.

Ability to control our operating expenses and improve operational efficiency

Our results of operations is affected by our operating expenses which is mainly our selling and distribution expenses and general and administrative expenses in our combined statements of profit or loss. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our aggregate amount of selling and distribution expenses and general and administrative expenses were approximately HK\$33.4 million, HK\$51.7 million, HK\$68.8

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million and HK\$53.1 million, respectively, representing 19.5%, 19.6%, 21.9% and 15.1% of our total revenue, respectively. Our operating expenses may increase with our expansion of business or due to other factors. Our profitability may be affected by our operating expenses and operational efficiency.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and estimates affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our judgement on (i) principal versus agent considerations; and (ii) current tax and deferred tax and our estimates on (a) impairment of goodwill, (b) impairment of non-financial assets (other than goodwill), (c) net realisable value of licensed assets, and (d) impairment of trade receivables, we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor its underlying assumptions in the past. The method and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set out in notes 3.2 and 4 to the Accountants' Report contained in Appendix I to this prospectus for details.

IMPACT OF ADOPTION OF NEW AND AMENDMENTS TO CERTAIN ACCOUNTING POLICIES

All HKFRSs effective for the accounting period commencing from 1 April 2018, together with the relevant transitional provisions, including HKFRS 15 *Revenue from Contracts with Customers*, have been consistently applied by our Group in the preparation of the financial information throughout the Track Record Period and in the period covered by the interim comparative financial information, except for HKFRS 9 *Financial Instruments* which is adopted by our Group from 1 April 2018 as the standard does not allow the use of hindsight if it is adopted retrospectively.

HKFRS 9 *Financial Instruments* (“HKFRS 9”)

The standard introduces new requirements for classification and measurement, impairment and hedge accounting. Our Group has adopted HKFRS 9 from 1 April 2018. Our Group recognised transition adjustments against the opening balance of equity at 1 April 2018 and has not restated prior years' financial information. Therefore, the financial information from 1 April 2016 to 31 March 2018 which is reported under HKAS 39 *Financial Instruments: Recognition and Measurement* (“HKAS 39”) is not comparable to the information presented for

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the seven months ended 31 October 2018. The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the Group's financial instruments. The impacts arising from the adoption of HKFRS 9 relate to the impairment requirements.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. We have applied the simplified approach and recorded lifetime expected credit losses on trade receivables both on a specific and collective basis according to management's assessment of the recoverability of an individual receivable. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained profits as of 1 April 2018 and the affected financial statement items are disclosed below:

<u>Combined Statement of Financial Position</u>	Closing balance at 31 March 2018 (under HKAS 39)	Restatement adjustment on adoption of HKFRS 9	Opening balance at 1 April 2018 (under HKFRS 9)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
Trade receivables	121,298	(2,254)	119,044
Equity			
Reserves	197,793	(2,254)	195,539

See note 2.2 to the Accountants' Report set out in Appendix I to this prospectus for details. Except for the differences shown above, we have assessed the effects of adoption of HKFRS 9 on our financial statements and concluded that there was no significant impact on our financial position and performance as compared to reporting under HKAS 39.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* ("HKAS 18") and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. We have elected to early apply HKFRS 15, which has been applied consistently in the Track Record Period.

We have assessed the effects of early adoption of HKFRS 15 on our financial statements and have concluded that there has been no significant impact on our Group's financial position and performance as compared to the requirements of HKAS 18 except that contract liabilities of HK\$17.8 million, HK\$11.3 million, HK\$25.9 million and HK\$33.2 million as at 31 March 2016, 2017 and 2018 and as at 31 October 2018, respectively, would have been presented as deferred revenue if HKAS 18 had been applied throughout the Track Record Period.

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RESULTS OF OPERATIONS

The following table summarises the combined statements of profit or loss from our financial statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Revenue	171,091	100.0	263,823	100.0	313,876	100.0	176,628	100.0	352,076	100.0
Cost of sales	(91,398)	(53.4)	(137,991)	(52.3)	(156,910)	(50.0)	(88,179)	(49.9)	(183,417)	(52.1)
Gross profit	79,693	46.6	125,832	47.7	156,966	50.0	88,449	50.1	168,659	47.9
Other income and gains	5,114	3.0	5,429	2.1	17,541	5.6	8,581	4.8	4,701	1.3
Selling and distribution expenses	(21,128)	(12.3)	(34,669)	(13.1)	(43,959)	(14.0)	(26,424)	(15.0)	(31,454)	(8.9)
General and administrative expenses	(12,252)	(7.2)	(17,071)	(6.5)	(24,869)	(7.9)	(13,293)	(7.5)	(21,653)	(6.1)
Other expenses, net	(6,777)	(4.0)	(16,828)	(6.4)	133	–	–	–	(2,421)	(0.7)
Profit before income tax	44,650	26.1	62,693	23.8	105,812	33.7	57,313	32.4	117,832	(33.5)
Income tax expense	(9,306)	(5.4)	(9,116)	(3.5)	(11,977)	(3.8)	(8,850)	(5.0)	(20,765)	(5.9)
Profit for the year/period	35,344	20.7	53,577	20.3	93,835	29.9	48,463	27.4	97,067	27.6

DESCRIPTION OF SELECTED ITEMS IN STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue represented income from (i) our Media Content Distribution Business; and (ii) Brand Licensing Business. The following table sets out our revenue by business segment for the periods indicated:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Media Content Distribution Business	147,946	86.5	234,062	88.7	291,122	92.8	162,506	92.0	327,394	93.0
Brand Licensing Business	23,145	13.5	29,761	11.3	22,754	7.2	14,122	8.0	24,682	7.0
Total	171,091	100.0	263,823	100.0	313,876	100.0	176,628	100.0	352,076	100.0

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Media Content Distribution Business

Under our Media Content Distribution Business, our revenue represented income from (i) licensing of media content directly sourced from our media content licensors and (ii) theatrical release income. The following table sets out our revenue under Media Content Distribution Business by income type for the periods indicated:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Distribution of licensed media content ⁽¹⁾	144,950	98.0	234,030	99.9	286,862	98.5	160,016	98.5	326,017	99.6
Theatrical release income ⁽²⁾	2,996	2.0	32	0.1	4,260	1.5	2,490	1.5	1,377	0.4
Total	147,946	100.0	234,062	100.0	291,122	100.0	162,506	100.0	327,394	100.0

Notes:

1. It included an investment income of HK\$3.8 million and a distribution income of HK\$33.2 million which arose from our co-investment in the production and distribution of four Japanese animation series during the Track Record Period.
2. It included an income from distributing feature films to theatre circuits directly by our Group.

Distribution of licensed media content

Under our Media Content Distribution Business, our Group generally enters into content distribution agreements with the media content licensors granting us the exclusive or non-exclusive rights to use, or rights to sub-license, the media content in certain territories. Such rights may include TV rights, live streaming and catch up rights, non-theatrical rights, on-line rights, pay-per-view rights, inflight rights, theatrical rights, video/DVD rights, VOD rights and other rights. Subject to the terms of the individual content distribution agreement entered into between the media content licensors and us, we are normally required to pay our licensors a one-off minimum guarantee upon signing of the relevant agreement or a minimum guarantee by instalments at the early stage of the relevant licensing periods. Such amount of minimum guarantee is usually non-refundable but recoupable (i.e. such minimum guarantee shall be applied to set off against the royalty payable by us) under the content distribution agreements. Generally, after confirming the contract terms with our customers, our Group will enter into content sub-licensing agreements with our customers for various licensing rights in certain territories and issue invoices to them. We may issue invoices to our customers before or after the delivery of the relevant media content as it may take time for internal approval before issuing invoices. As such, we do not recognise revenue upon issuance of invoices. Our revenue from distribution of licensed media content is recognised at the point in time when all

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the following criteria are met: (i) persuasive evidence of a sub-licensing arrangement with a customer exists; (ii) the media content has been delivered or has been made available for our customer's right to use and there is no requirement for significant continued performance by our Group; (iii) the sub-licensing period of the arrangement has begun and our customer can begin its exploitation of the media content; and (iv) collectability of the sub-licensing fee is reasonably assured. Our customers are generally required to settle our invoices from 30 to 45 working days after the respective dates of the payment milestones as stipulated in the content sub-licensing agreements.

Theatrical release income

Theatrical release income represented our Group's share of box office from films exhibited in movie theatres in Hong Kong and Taiwan, after the deduction of direct taxes and charges in relation to the exhibition during the Track Record Period. We will then share the net income with the licensors based on the sharing ratio which is mutually agreed between the movie theatres and us. Such share of income to the licensors is recognised as our cost of sales.

Income from theatrical release is recognised at the point in time when all the following criteria are met: (i) the films are exhibited in movie theatres; (ii) the amount of income can be measured reliably; and (iii) the collectability of the entitled proceeds is reasonably assured.

During the Track Record Period, our theatrical release income amounted to approximately HK\$3.0 million, HK\$32,000, HK\$4.3 million and HK\$1.4 million, respectively.

Brand Licensing Business

Our revenue from Brand Licensing Business represented revenue from (i) sub-licensing of brands; (ii) provision of licensing agency services; and (iii) sale of merchandise. The following table sets out our revenue from Brand Licensing Business by income type for the periods indicated:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sub-licensing of brands	16,722	72.2	21,899	73.6	13,538	59.5	9,565	67.7	16,099	65.2
Provision of licensing agency services	6,203	26.8	7,497	25.2	9,006	39.6	4,412	31.3	7,963	32.3
Sales of merchandise ^(Note)	220	1.0	365	1.2	210	0.9	145	1.0	620	2.5
Total	23,145	100.0	29,761	100.0	22,754	100.0	14,122	100.0	24,682	100.0

Note: We exploited the merchandising rights obtained from our licensors by engaging suppliers to design and produce merchandise for our own sale in certain exhibitions/promotional events.

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Sub-licensing of brands

Under sub-licensing of brands, we entered into brand licensing agreements with the brand licensors under which the merchandising rights and other rights are granted to our Group. Our Group will then enter into a brand sub-licensing agreements with the customers who will pay royalty to our Group. We may receive different types of income under sub-licensing of brands: licence fee, minimum guarantee and royalty. We receive licence fees or minimum guarantees in advance from the customers and recognise the amounts over the sub-licensing periods as stipulated in the relevant agreements with the customers. In addition, we also earn additional sales-based royalty when cumulative royalty are in excess of the minimum guarantees and such additional royalty are recognised as revenue when incurred. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our revenue from sub-licensing of brands were approximately HK\$16.7 million, HK\$21.9 million, HK\$13.5 million and HK\$16.1 million, respectively.

Provision of licensing agency services

We provide licensing agency services to licensors in return for agency commission/service fees which are based on certain percentage of the total royalty received or receivable by the licensors. The licensing agency services include (i) identification of potential licensees; (ii) negotiation of terms of contracts with licensees on behalf of the licensors and; (iii) assist in promoting brands on behalf of licensors; and (iv) collection of royalty fees on behalf of the licensors. These services are rendered by us over the licensing periods of the relevant licensing agreements entered into between the licensors and the licensees and our agency commission is recognised as revenue over time. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our revenue from provision of licensing agency services were approximately HK\$6.2 million, HK\$7.5 million, HK\$9.0 million and HK\$8.0 million, respectively.

Sales of merchandise

During the Track Record Period, we also generated income from sales of merchandise of the licensed brands at exhibitions and promotional events. Income from the sales of merchandise is recognised upon delivery of the merchandises to the customers. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our revenue from sales of merchandise were approximately HK\$220,000, HK\$365,000, HK\$210,000 and HK\$620,000, respectively.

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The following table sets out our revenue by customers' geographical location during the Track Record Period:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	<i>(unaudited)</i>									
The PRC	107,470	62.8	186,173	70.6	244,099	77.7	137,034	77.6	279,819	79.5
Hong Kong	20,419	11.9	17,761	6.7	21,820	7.0	11,653	6.6	15,857	4.5
US	7,705	4.5	20,862	7.9	15,883	5.1	7,697	4.4	25,024	7.1
Taiwan	8,835	5.2	12,246	4.6	10,468	3.3	6,953	3.9	4,299	1.2
Southeast Asian countries										
Thailand	11,308	6.6	8,461	3.2	5,904	1.9	5,360	3.0	3,547	1.0
Other Southeast Asian countries ⁽¹⁾	9,864	5.8	4,958	1.9	9,140	2.9	3,283	1.9	16,263	4.6
Sub-total	21,172	12.4	13,419	5.1	15,044	4.8	8,643	4.9	19,810	5.6
Others ⁽²⁾	5,490	3.2	13,362	5.1	6,562	2.1	4,648	2.6	7,267	2.1
Total	171,091	100.0	263,823	100.0	313,876	100.0	176,628	100.0	352,076	100.0

Notes:

1. Other Southeast Asian countries included the Philippines, Singapore, Malaysia and Vietnam.
2. Others included Japan, Hungary, Spain and other countries.

Although the Japanese animation distribution market in Southeast Asia grew significantly during the period from 2013 to 2017 according to the Frost & Sullivan Report, our revenue from Southeast Asia including Thailand and other Southeast Asian countries decreased from approximately HK\$21.2 million for the year ended 31 March 2016 to approximately HK\$13.4 million for the year ended 31 March 2017 because we mainly focussed on the distribution of our Japanese animation series in the PRC market and did not put significant sales and marketing efforts and resources into the Southeast Asian market. Such decrease in revenue from Southeast Asian countries was mainly due to the decrease in sales of some popular media content to some local TV stations in Thailand and the Philippines. The increase in our revenue from Southeast Asia for the year ended 31 March 2018 was mainly due to an increased number of Japanese animation series sold to a local TV station in the Philippines, while the increase in our revenue from Southeast Asia for the seven months ended 31 October 2018 as compared to that for the seven months ended 31 October 2017 was mainly due to the sales of a Chinese drama to a local TV station in the Philippines.

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For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our revenue from the PRC amounted to approximately HK\$107.5 million, HK\$186.2 million, HK\$244.1 million and HK\$279.8 million, respectively. According to the Frost & Sullivan Report, the growth in the PRC media content distribution market was mainly due to the increase in demand for Japanese animation content in the PRC.

Cost of sales

Our cost of sales was primarily the royalty payable to (i) the media content licensors for our Media Content Distribution Business; and (ii) brand licensors for our Brand Licensing Business at the royalty rates agreed with them. The following table sets out our cost of sales by segment for the periods indicated:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							<i>(unaudited)</i>			
Media Content										
Distribution Business										
– Distribution of licensed media content	82,690	90.5	128,043	92.8	149,330	95.2	84,381	95.7	172,144	93.9
– Theatrical release ⁽¹⁾	426	0.5	–	–	836	0.5	302	0.3	252	0.1
Sub-total	83,116	91.0	128,043	92.8	150,166	95.7	84,683	96.0	172,396	94.0
Brand Licensing Business										
– Sub-licensing of brands	7,596	8.3	9,178	6.7	6,099	3.9	3,344	3.8	10,339	5.6
– Provision of licensing agency services ⁽²⁾	563	0.6	594	0.4	569	0.4	146	0.2	519	0.3
– Sale of merchandises	123	0.1	176	0.1	76	–	6	–	163	0.1
Sub-total	8,282	9.0	9,948	7.2	6,744	4.3	3,496	4.0	11,021	6.0
Total	91,398	100.0	137,991	100.0	156,910	100.0	88,179	100.0	183,417	100.0

Notes:

- This represented the amount of box office we shared with our licensors at an agreed percentage, after deducting all the promotion and distribution costs incurred by our Group.
- This represented costs in relation to the agency services provided by our Group to the brand licensors.

For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our cost of sales amounted to approximately HK\$91.4 million, HK\$138.0 million, HK\$156.9 million and HK\$183.4 million, respectively.

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The following table sets out our breakdown of our cost of sales by nature for the periods indicated:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							<i>(unaudited)</i>			
Costs of licensing rights										
Content/brands with payment of minimum guarantee	82,678	90.5	129,960	94.2	148,727	94.8	84,551	95.9	166,844	91.0
Content/brands without payment of minimum guarantee	2,052	2.2	1,993	1.4	3,197	2.0	1,266	1.4	4,317	2.3
Sub-total	84,730	92.7	131,953	95.6	151,924	96.8	85,817	97.3	171,161	93.3
Material costs and production costs	2,527	2.8	1,473	1.1	2,317	1.5	1,635	1.9	946	0.5
Supporting costs	3,349	3.7	3,434	2.5	1,126	0.7	305	0.3	2,541	1.4
Merchandising costs	123	0.1	176	0.1	76	0.1	6	0.0	163	0.1
Amortisation of programme rights	669	0.7	955	0.7	1,467	0.9	416	0.5	7,924	4.3
Amortisation of brand licensing contracts	-	-	-	-	-	-	-	-	682	0.4
Total	91,398	100.0	137,991	100.0	156,910	100.0	88,179	100.0	183,417	100.0

Our costs of licensing rights represented the recoupment of minimum guarantee and royalty payments to our media content licensors and brand licensors in relation to the distribution of media contents and the licensing of brands, based on the royalty rate. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, costs of licensing rights, accounted for approximately 92.7%, 95.6%, 96.8% and 93.3% of our total costs of sales, represented majority of our total costs of sales. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our costs of licensing rights arising from our Media Content Distribution Business amounted to approximately HK\$79.9 million, HK\$125.6 million, HK\$146.4 million and HK\$163.5 million, respectively, whilst our costs of licensing rights arising from our Brand Licensing Business amounted to approximately HK\$4.8 million, HK\$6.4 million, HK\$5.5 million and HK\$7.7 million, respectively.

Material costs and production costs represented costs in relation to file conversion, dubbing, subtitling and other production costs in relation to the Media Content Distribution.

Our supporting costs represented supporting services performed by our Group to our licensees for their character brands in relation to our Brand Licensing Business such as design and produce some decorating materials for their promotional events.

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Amortisation of programme rights resulting from our investments in production of media content was based on the proportion of actual income earned during the year to the total estimated income of such intangible assets. Such amortisation of programme rights increased significantly for the seven months ended 31 October 2018 mainly due to the addition of our programme rights arising from our investments in two Japanese animation series during the period.

Amortisation of brand licensing contracts represented amortisation in relation to the brand licensing contracts resulting from the MAIL Acquisition during the seven months ended 31 October 2018.

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by segment for the periods indicated:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Media Content										
Distribution Business										
- Distribution of licensed media content	62,260	43.0	105,987	45.3	137,532	47.9	75,635	47.3	153,873	47.2
- Theatrical release income	2,570	85.8	32	100.0	3,424	80.4	2,188	87.9	1,125	81.7
Sub-total	64,830	43.8	106,019	45.3	140,956	48.4	77,823	47.9	154,998	47.3
Brand Licensing Business										
- Sub-licensing of brands	9,126	54.6	12,721	58.1	7,439	54.9	6,221	65.0	5,760	35.8
- Provision of licensing agency services	5,640	90.9	6,903	92.1	8,437	93.7	4,266	96.7	7,444	93.5
- Sales of merchandise	97	44.1	189	51.8	134	63.8	139	95.9	457	73.7
Sub-total	14,863	64.2	19,813	66.6	16,010	70.4	10,626	75.2	13,661	55.3
Total	79,693	46.6	125,832	47.7	156,966	50.0	88,449	50.1	168,659	47.9

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For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our gross profit amounted to approximately HK\$79.7 million, HK\$125.8 million, HK\$157.0 million and HK\$168.7 million, respectively, while the respective gross profit margin was 46.6%, 47.7%, 50.0% and 47.9% for the same periods. Our gross profit margin was primarily susceptible to the mix of the royalty rates agreed with (i) media content licensors for our Media Content Distribution Business; and (ii) brand licensors for our Brand Licensing Business.

During the Track Record Period, the gross profit margins of our Brand Licensing Business were generally higher than the gross profit margins of our Media Content Distribution Business. This was because our gross profit margins of provision of licensing agency services under our Brand Licensing Business were relatively higher as we recognised agency commission on a net basis and the cost of sales incurred in relation to such business was insignificant. The gross profit margin of our Brand Licensing Business for the seven months ended 31 October 2018 was relatively lower as a result of the decrease in revenue generated from the sub-licensing of the character in a Japanese anime which has been released in 2014 with a relatively higher gross profit margin.

Other income and gains

The following table sets out the components of our other income and gains for the periods indicated:

	For the year ended 31 March			For the seven months ended 31 October	
	2016	2017	2018	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Bank interest income	29	65	192	37	184
Management fee income from a related party	4,111	4,432	12,690	7,402	4,287
Commission income from a related party	624	681	1,230	717	96
Gain on disposal of items of property, plant and equipment	82	–	–	–	–
Foreign exchange differences, net	–	–	3,347	378	–
Others	268	251	82	47	134
Total	5,114	5,429	17,541	8,581	4,701

Other income and gains primarily consisted of management fee income from a related party, commission income from a related party, bank interest income and others. Other income and gains amounted to approximately HK\$5.1 million, HK\$5.4 million, HK\$17.5 million and HK\$4.7 million for the three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively.

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Our management fee income from a related party represented the management and service fee income received from MAIL (which became our wholly-owned subsidiary upon completion of the MAIL Acquisition in August 2018) for providing the related corporate and business support services, including providing administrative, sales and marketing supports, managing relationships with local customers and suppliers, arranging local events and providing bookkeeping services and other accounting services by our subsidiaries in Hong Kong and PRC to MAIL.

Such management fee income was charged with reference to the staff costs and other relevant administrative expenses incurred by our subsidiaries attributable to our Group's companies and MAIL during the Track Record Period. The management fee income increased significantly during the year ended 31 March 2018 mainly due to (i) the increase in staff costs incurred by our subsidiaries as a result of the increase in the number of senior management and supportive staff in Hong Kong from 16 for the year ended 31 March 2017 to 24 for the year ended 31 March 2018 to cope with the expanded businesses of our Group and MAIL; (ii) more administrative costs were allocated to MAIL as a result of the increase in the operation scale of MAIL with its revenue increased by approximately 50%, from approximately HK\$30.7 million for the year ended 31 March 2017 to approximately HK\$46.1 million for the year ended 31 March 2018 based on the audited accounts of MAIL; and (iii) a recharge of the service fee of approximately HK\$4.4 million attributable to MAIL in relation to sales and marketing support, event organisation as well as general administration support services rendered by MSH for MAIL from 1 January 2015 to 31 March 2018 pursuant to the service arrangement which was initiated, negotiated and finalised with MSH during the year ended 31 March 2018.

Our commission income from a related party represented commission received by us from MAIL (which became our wholly-owned subsidiary upon completion of the MAIL Acquisition in August 2018) for our licensing agency services rendered by us to its customers in Singapore and Taiwan as MAIL did not have any staff in these countries. Such commission income was charged in accordance with terms mutually agreed between the relevant parties.

As MAIL became our wholly-owned subsidiary after completion of the MAIL Acquisition, both the management fee income and commission income from MAIL became inter-company transactions and therefore were eliminated on consolidation and we have not had such income on a group level since the completion of the MAIL Acquisition.

The net foreign exchange differences mainly represent exchange difference arising from fluctuations of RMB and JPY against HK\$ in relation to bank transfers and settlements from trade receivables.

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Selling and distribution expenses

The following table sets out a breakdown of our selling and distribution expenses for the periods indicated:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Employee benefit expenses	14,198	67.2	19,254	55.5	20,719	47.2	11,256	42.6	12,030	38.2
Withholding tax expenses	2,829	13.4	13,113	37.8	16,809	38.2	10,774	40.8	16,060	51.1
Promotion expenses	3,176	15.0	1,507	4.4	5,336	12.1	3,770	14.3	2,311	7.3
Others	925	4.4	795	2.3	1,095	2.5	624	2.3	1,053	3.4
Total	<u>21,128</u>	<u>100.0</u>	<u>34,669</u>	<u>100.0</u>	<u>43,959</u>	<u>100.0</u>	<u>26,424</u>	<u>100.0</u>	<u>31,454</u>	<u>100.0</u>

Our selling and distribution expenses mainly represented staff costs, withholding tax expenses and promotion expenses. Our selling and distribution expenses amounted to approximately HK\$21.1 million, HK\$34.7 million, HK\$44.0 million and HK\$31.5 million for the three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively, which accounted for 12.3%, 13.1%, 14.0% and 8.9% to our revenue for such years/periods, respectively. Our employee benefit expenses amounted to approximately HK\$14.2 million, HK\$19.3 million, HK\$20.7 million and HK\$12.0 million for the three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively. The number of our staff for selling and distribution function increased from 48 as at 31 March 2016 to 54 as at 31 March 2017, then decreased to 50 as at 31 March 2018 and increased to 62 as at 31 October 2018. The significant increase of our selling and distribution staff from 50 as at 31 March 2018 to 62 as at 31 October 2018 was mainly resulted from the MAIL Acquisition. Despite the decrease in number of staff for selling and distribution function as at 31 March 2018 our employee benefit expenses increased slightly for the year ended 31 March 2017 compared to that of the year ended 31 March 2016, mainly due to general increase in compensation level.

Our withholding tax expenses in relation to our Group's distribution of licensed media content in the PRC has been provided at the rate of 10% on the related revenue. Our withholding tax expenses increased significantly for the year ended 31 March 2017 when compared to those incurred for the year ended 31 March 2016 mainly due to the change in arrangement with certain of our major customers in the PRC where the withholding tax was borne by us for the year ended 31 March 2017 while the withholding tax was borne by these PRC customers for the year ended 31 March 2016. Since the year ended 31 March 2017, the withholding tax was borne by us in accordance with the terms stipulated in the contracts signed between the relevant parties. Such change in the contract terms was a commercial arrangement

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between our Group and these PRC customers and was primarily initiated by certain PRC customers to standardise all the pricing terms in their respective contracts. As a result, the increase in our withholding tax expenses during the Track Record Period was primarily due to the change in such arrangement as well as the increase in revenue generated from distribution of media content in the PRC during the same period. Certain portion of such withholding tax is entitled to tax credit in Hong Kong in accordance with the applicable tax rules in Hong Kong.

Our promotion expenses mainly represented expenses incurred in relation to our movie distribution and brand promotion.

General and administrative expenses

The following table sets out our general and administrative expenses for the periods indicated:

	For the year ended 31 March						For the seven months ended 31 October			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>									
Staff costs	5,116	41.7	6,204	36.3	13,858	55.7	6,774	51.0	7,544	34.8
Minimum lease payments										
under operating expenses	1,615	13.2	2,374	13.9	2,805	11.3	1,617	12.2	2,056	9.5
Building management fee	268	2.2	360	2.1	399	1.6	266	2.0	247	1.1
Legal and professional fee	1,212	9.9	3,785	22.2	2,736	11.0	1,212	9.1	8,390	38.8
Depreciation	1,595	13.0	1,515	8.9	1,172	4.7	681	5.1	752	3.5
Auditor's remuneration	182	1.5	217	1.3	739	3.0	420	3.2	528	2.4
Other taxes	87	0.7	32	0.2	888	3.6	672	5.0	462	2.1
Entertainment expenses	708	5.8	546	3.2	547	2.2	233	1.7	211	1.0
Others ^(Note)	1,469	12.0	2,038	11.9	1,725	6.9	1,418	10.7	1,463	6.8
Total	12,252	100.0	17,071	100.0	24,869	100.0	13,293	100.0	21,653	100.0

Note: Others mainly included motor vehicle expenses, cleaning expenses and utility expenses.

Our general and administrative expenses amounted to approximately HK\$12.3 million, HK\$17.1 million, HK\$24.9 million and HK\$21.7 million for the three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively, which accounted for 7.2%, 6.5%, 7.9% and 6.1% of our total revenue for such years/periods, respectively.

General and administrative expenses primarily consisted of staff costs (including directors' and chief executive's remuneration), minimum lease payments under operation leases, depreciation of property, plant and equipment and others.

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Legal and professional fee incurred during the Track Record Period primarily represented expenses in relation to legal and tax advices provided to us and our Listing. We recorded relatively higher legal and professional fee of approximately HK\$3.8 million for the year ended 31 March 2017 as we had engaged professional parties to advise on the Tax Incident. See “Business – Legal and compliance – Non-compliance incidents” in this prospectus for details. Our legal and professional fee included an amount of HK\$7.0 million which was related to our Listing for the seven months ended 31 October 2018.

Employee benefit expenses

As at 31 March 2016, 2017 and 2018 and 31 October 2018, we had a total of 60, 71, 74 and 91 employees, respectively. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our total employee benefit expenses amounted to approximately HK\$18.8 million, HK\$24.9 million, HK\$34.2 million and HK\$19.4 million, respectively, mainly as a result of the increase in the number of our employees and the discretionary bonuses paid to our Directors and employees with reference to our financial performance.

For the three years ended 31 March 2018 and the seven months ended 31 October 2018, our employee benefit expenses accounted for 11.0%, 9.5%, 10.9% and 5.5% of our total revenue, respectively. For the seven months ended 31 October 2018, our employee benefit expenses as a percentage of our total revenue was relatively lower mainly because the discretionary bonuses were not yet provided for.

Other expenses, net

Our net other expenses mainly represented write-down/(reversal) of licensed assets to net realisable value, impairment/(reversal) of trade receivables, net foreign exchange losses and tax penalty as a result of the Tax Incident. See “Business – Legal and compliance – Non-compliance incidents” in this prospectus for details. Net other expenses amounted to approximately HK\$6.8 million, HK\$16.8 million, and HK\$2.4 million for the two years ended 31 March 2017 and the seven months ended 31 October 2018, respectively and a net gain of approximately HK\$0.1 million for the year ended 31 March 2018.

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate. The following summarises the major income tax which our Group is subject to:

(i) Cayman Island/BVI profits tax

Our Group has not been subject to any taxation in the Cayman Island/BVI.

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the Track Record Period.

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(iii) The PRC enterprise income tax

The PRC enterprise income tax has been generally provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of the companies in our Group during the Track Record Period.

Our income tax expenses were approximately HK\$9.3 million, HK\$9.1 million, HK\$12.0 million and HK\$20.8 million for three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively; the effective tax rates for the same years/periods were 20.8%, 14.5%, 11.3% and 17.6%, respectively.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in “Business – Legal and compliance – Non-compliance incidents” in this prospectus, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

Seven months ended 31 October 2018 compared to seven months ended 31 October 2017

Revenue

Our revenue increased by approximately HK\$175.5 million or 99.4% from approximately HK\$176.6 million for the seven months ended 31 October 2017 to approximately HK\$352.1 million for the seven months ended 31 October 2018 mainly as a result of the increase in the revenue generated from our Media Content Distribution Business.

Media Content Distribution Business

Our revenue from Media Content Distribution Business increased by approximately HK\$164.9 million or 101.5% from approximately HK\$162.5 million for the seven months ended 31 October 2017 to approximately HK\$327.4 million for the seven months ended 31 October 2018. The increase in revenue was mainly attributable to (i) the increase in the number of active titles distributed from 163 titles for the seven months ended 31 October 2017 to 187 titles for the seven months ended 31 October 2018 as a result of the increase in demand in the PRC and the US; and (ii) the increase in the average price per title distributed by our Group from approximately HK\$1.0 million for the seven months ended 31 October 2017 to approximately HK\$1.7 million for the seven months ended 31 October 2018. This was primarily attributable to more popular titles being distributed for the seven months end 31 October 2018 than in 2017. We had distributed 34 new titles during the seven months ended 31 October 2018 which contributed revenue of approximately HK\$223 million to our Group during the period compared to 28 new titles distributed during the seven months ended 31 October 2017 which contributed revenue of approximately HK\$120 million to our Group during the period.

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The aggregate revenue from our top five revenue-generating titles of media content increased by 38.1% from approximately HK\$81.9 million for the seven months ended 31 October 2017 to approximately HK\$113.1 million for the seven months ended 31 October 2018. Our top five revenue-generating titles of media content accounted for approximately 50.4% and 34.5% of our revenue from Media Content Distribution Business for the seven months ended 31 October 2017 and 2018, respectively. The increase was mainly due to the relatively higher revenue generated during the seven months ended 31 October 2018 from the new season of an animation series released in April 2018 following the success of its previous seasons which were aired in 2017.

The decrease of our theatrical release income by approximately HK\$1.1 million was due to the movies that we released in the seven months ended 31 October 2018 were not as popular as those we released in the seven months ended 31 October 2017 despite the increase in two movies distributed in the seven months ended 31 October 2017 to nine movies distributed in the seven months ended 31 October 2018.

Brand Licensing Business

Our revenue from Brand Licensing Business increased by approximately HK\$10.6 million or 75.2% from approximately HK\$14.1 million for the seven months ended 31 October 2017 to approximately HK\$24.7 million for the seven months ended 31 October 2018. Following the MAIL Acquisition, the number of active brands licensed by our Group under our Brand Licensing Business increased from 43 brands for the seven months ended 31 October 2017 to 62 brands for the seven months ended 31 October 2018. We generated revenue from nine new brands and 11 new brands for the seven months ended 31 October 2017 and 2018, respectively. The increase in revenue from our Brand Licensing Business was mainly due to the revenue contribution of approximately HK\$10.1 million from MAIL for the seven months ended 31 October 2018 as a result of the completion of the MAIL Acquisition in August 2018. If such revenue contributed from MAIL were excluded, our revenue from our Brand Licensing Business would have remained relatively stable.

Cost of sales

Cost of sales increased by approximately HK\$95.2 million or 107.9% from approximately HK\$88.2 million for the seven months ended 31 October 2017 to approximately HK\$183.4 million for the seven months ended 31 October 2018. The increase was in line with the increase in revenue in accordance with the royalty rates agreed with licensors.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately HK\$80.3 million or 90.8% from approximately HK\$88.4 million for the seven months ended 31 October 2017 to approximately HK\$168.7 million for the seven months ended 31 October 2018. Our gross profit margin decreased from 50.1% for the seven months ended 31 October 2017 to 47.9% for the seven months ended 31 October 2018 mainly due to the decrease in our revenue generated

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from the sub-licensing of a character in a Japanese anime. The gross profit margin of sub-licensing the character of this Japanese anime was relatively higher compared with the other Japanese anime and brands sub-licensed by us. Following the decline in popularity of such Japanese anime which was released in 2014, the revenue generated from sub-licensing of the character of this Japanese anime decreased for the seven months ended 31 October 2018.

Other income and gains

Other income and gains decreased by approximately HK\$3.9 million or 45.3% from approximately HK\$8.6 million for the seven months ended 31 October 2017 to approximately HK\$4.7 million for the seven months ended 31 October 2018. The decrease in other income and gains was mainly due to (i) the decrease in management fee income from a related party and (ii) the change from a net foreign exchange gain in the seven months ended 31 October 2017 to a net foreign exchange loss in the seven months ended 31 October 2018 primarily due to the depreciation of the JPY and RMB held by us in our bank balances during the period.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK\$5.1 million or 19.3% from approximately HK\$26.4 million for the seven months ended 31 October 2017 to approximately HK\$31.5 million for the seven months ended 31 October 2018. The increase was primarily due to increase in withholding tax expenses which was in line with the increase in revenue generated from our customers in the PRC as mentioned above. Such increase was partially offset by the decrease in promotion expenses by approximately HK\$1.5 million in relation to the movie distribution during the period.

General and administrative expenses

General and administrative expenses increased by approximately HK\$8.4 million or 63.2% from approximately HK\$13.3 million for the seven months ended 31 October 2017 to approximately HK\$21.7 million for the seven months ended 31 October 2018. Such increase was primarily due to the increase in (i) legal and professional fee of approximately HK\$7.2 million primarily attributable to expenses of approximately HK\$7.0 million incurred for Listing; (ii) staff costs of approximately HK\$0.8 million as a result of the increase in headcounts and contribution from MAIL as a result of the MAIL Acquisition.

Other expenses, net

Other net expenses increased from nil for the seven months ended 31 October 2017 to approximately HK\$2.4 million for the seven months ended 31 October 2018. The increase was primarily due to the net foreign exchange loss of approximately HK\$1.7 million recognised during the seven months ended 31 October 2018 as compared to a net foreign exchange gain recorded for the seven months ended 31 October 2017 as mentioned above.

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Income tax expense

Income tax expense increased by approximately HK\$11.9 million or 133.7% from approximately HK\$8.9 million for the seven months ended 31 October 2017 to approximately HK\$20.8 million for the seven months ended 31 October 2018 primarily due to the increase in our assessable income. Our effective tax rate was 15.4% and 17.6% for the seven months ended 31 October 2017 and the seven months ended 31 October 2018, respectively.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately HK\$48.6 million or 100.2% from approximately HK\$48.5 million for the seven months ended 31 October 2017 to approximately HK\$97.1 million for the seven months ended 31 October 2018. Our net profit margin remained relatively stable at 27.4% for the seven months ended 31 October 2017 and 27.6% for the seven months ended 31 October 2018.

Year ended 31 March 2018 compared to year ended 31 March 2017

Revenue

Our revenue increased by approximately HK\$50.1 million or 19.0% from approximately HK\$263.8 million for the year ended 31 March 2017 to approximately HK\$313.9 million for the year ended 31 March 2018 as a result of the increase in the revenue from our Media Content Distribution Business partially offset by the decrease in the revenue from our Brand Licensing Business.

Media Content Distribution Business

Our revenue from Media Content Distribution Business increased by approximately HK\$57.0 million or 24.3% from approximately HK\$234.1 million for the year ended 31 March 2017 to approximately HK\$291.1 million for the year ended 31 March 2018. The increase in revenue was mainly attributable to the increase in number of active titles distributed from 148 titles for the year ended 31 March 2017 to 214 titles for the year ended 31 March 2018 primarily as a result of the increase in demand in the PRC; which was partially offset by the decrease in the average price per title distributed by approximately 18.8% from approximately HK\$1.6 million for the year ended 31 March 2017 to approximately HK\$1.3 million for the year ended 31 March 2018. Such decrease in the average price per title was because some of the titles which our Group distributed during the year ended 31 March 2018 have been released for a relatively longer time. Thus, the price per title for those titles were lower compared to those distributed in the year ended 31 March 2017.

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The aggregate revenue from our top five generating titles of media content increased by approximately 5.5% from approximately HK\$85.5 million for the year ended 31 March 2017 to approximately HK\$90.3 million for the year ended 31 March 2018. Our top five revenue generating titles of media content accounted for approximately 36.5% of our revenue from Media Content Distribution Business for the year ended 31 March 2017, while our top five revenue generating titles of media content accounted for approximately 31.0% of our revenue from Media Content Distribution Business for the year ended 31 March 2018.

Our theatrical release income increased by approximately HK\$4.2 million from approximately HK\$32,000 for the year ended 31 March 2017 to approximately HK\$4.3 million for the year ended 31 March 2018. The increase was due to the increase in the number of movies released from two movies for the year ended 31 March 2017 to five movies for the year ended 31 March 2018.

Brand Licensing Business

Our revenue from Brand Licensing Business decreased by approximately HK\$7.0 million or 23.5% from approximately HK\$29.8 million for the year ended 31 March 2017 to approximately HK\$22.8 million for the year ended 31 March 2018. The number of brands licensed by our Group decreased from 56 for the year ended 31 March 2017 to 55 for the year ended 31 March 2018. We generated revenue from 20 new brands and 16 new brands for the two years ended 31 March 2018, respectively. Such decrease in revenue was mainly attributable to the decrease in the number of sub-licensees from 83 sub-licensees during the year ended 31 March 2017 to 41 sub-licensees during the year ended 31 March 2018 for the sub-licensing of the character in a Japanese anime which has been released in 2014 and the demand for that title gradually declined. The decrease in revenue generated from the sub-licensing of the character of such Japanese anime by HK\$9.1 million was partially offset by the increase in revenue from provision of licensing agency services of HK\$1.5 million as a result of the increase in agency commission from a brand licensor as our Group had sourced 11 new licensees for such licensor during the year ended 31 March 2018 in relation to a character in an animation series.

Cost of sales

Cost of sales increased by approximately HK\$18.9 million or 13.7% from approximately HK\$138.0 million for the year ended 31 March 2017 to approximately HK\$156.9 million for the year ended 31 March 2018. The increase was in line with the increase in revenue.

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Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately HK\$31.2 million or 24.8% from approximately HK\$125.8 million for the year ended 31 March 2017 to approximately HK\$157.0 million for the year ended 31 March 2018. Our gross profit margin increased from 47.7% for the year ended 31 March 2017 to 50.0% for the year ended 31 March 2018, which was mainly due to the decrease in overall royalty rates agreed with our media content licensors.

Other income and gains

Other income and gains increased by approximately HK\$12.1 million or 224.1% from approximately HK\$5.4 million for the year ended 31 March 2017 to approximately HK\$17.5 million for the year ended 31 March 2018. The increase in other income and gains was mainly due to (i) increase in management fee income from a related party contributed by a charge back of approximately HK\$8.3 million for the year ended 31 March 2018 for the services provided for the past three years as stipulated in the agreement mutually agreed with relevant parties as discussed above; and (ii) increase in net foreign exchange gain of approximately HK\$3.3 million primarily attributable to the appreciation of RMB arising from RMB denominated trade receivable balances during the year.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK\$9.3 million or 26.8% from approximately HK\$34.7 million for the year ended 31 March 2017 to approximately HK\$44.0 million for the year ended 31 March 2018. The increase was primarily due to the increase in (i) promotion expenses of approximately HK\$3.8 million in relation to the theatrical release incurred on 31 March 2018 due to the increase in the number of movie released; and (ii) withholding tax expenses of approximately HK\$3.7 million which was in line with the increase in revenue generated from our customers in the PRC.

General and administrative expenses

General and administrative expenses increased by approximately HK\$7.8 million or 45.6% from approximately HK\$17.1 million for the year ended 31 March 2017 to approximately HK\$24.9 million for the year ended 31 March 2018. The increase was primarily due to increase in employee benefit expenses under our general and administrative expenses of approximately HK\$7.7 million as a result of increase in number of staff and the recruitment of senior management during the year ended 31 March 2018.

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Other expenses, net

We recorded net other expenses of approximately HK\$16.8 million and net other gain of approximately HK\$0.1 million for the year ended 31 March 2017 and 2018, respectively. The change was primarily due to (i) an impairment of trade receivables of approximately HK\$8.3 million provided for the year ended 31 March 2017; and (ii) a net foreign exchange gain of approximately HK\$3.3 million as mentioned above, compared to net foreign exchange loss of HK\$4.8 million for the year ended 31 March 2017.

Income tax expense

Income tax expense increased by approximately HK\$2.9 million or 31.9% from approximately HK\$9.1 million for the year ended 31 March 2017 to approximately HK\$12.0 million for the year ended 31 March 2018. Our effective tax rate decreased from 14.5% for the year ended 31 March 2017 to 11.3% for the year ended 31 March 2018, mainly as a result of tax losses utilised from previous years from a subsidiary in the PRC for the year ended 31 March 2018.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately HK\$40.2 million or 75.0% from approximately HK\$53.6 million for the year ended 31 March 2017 to approximately HK\$93.8 million for the year ended 31 March 2018. Our net profit margin increased from 20.3% for the year ended 31 March 2017 to 29.9% for the year ended 31 March 2018 mainly attributable to (i) an increase in gross profit margin from 47.7% for the year ended 31 March 2017 to 50.0% for the year ended 31 March 2018; and (ii) a change in net other expenses of HK\$16.8 million for the year ended 31 March 2017 to a net other income of HK\$0.1 million for the year ended 31 March 2018.

Year ended 31 March 2017 compared to year ended 31 March 2016

Revenue

Our revenue increased by approximately HK\$92.7 million or 54.2% from approximately HK\$171.1 million for the year ended 31 March 2016 to approximately HK\$263.8 million for the year ended 31 March 2017 as a result of both the increase in revenue from our Media Content Distribution Business and Brand Licensing Business.

Media Content Distribution Business

Our revenue from Media Content Distribution Business increased by approximately HK\$86.2 million or 58.3% from approximately HK\$147.9 million for the year ended 31 March 2016 to approximately HK\$234.1 million for the year ended 31 March 2017. Although the total number of active titles distributed by our Group decreased from 151 titles for the year ended 31 March 2016 to 148 titles for the year ended 31 March 2017, the revenue generated by our

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top five titles of media content increased by approximately 110.6% from approximately HK\$40.6 million for the year ended 31 March 2016 to approximately HK\$85.5 million for the year ended 31 March 2017. The increase in the revenue from our top five revenue-generating titles of media content for the year ended 31 March 2017 was mainly driven by (i) the relatively higher revenue generated from an animation series serialised from a well-received Japanese manga series aired in April 2016; and (ii) the increase in revenue from the second season of a Japanese animation series as a result of its popularity arising from the first season which was aired in April 2015. For the year ended 31 March 2016, our top five revenue-generating titles of media content accounted for approximately 27.5% of our revenue from Media Content Distribution Business, while our top five revenue-generating titles of media content accounted for approximately 36.5% of our revenue from Media Content Distribution Business for the year ended 31 March 2017. Also, our average price per title distributed increased by 60.0% from approximately HK\$1.0 million for the year ended 31 March 2016 to approximately HK\$1.6 million for the year ended 31 March 2017.

The decrease of our theatrical release income by approximately HK\$3.0 million was due to the movies that we released in the year ended 31 March 2017 were not as popular as the one we released in the year ended 31 March 2016.

Brand Licensing Business

Our revenue from Brand Licensing Business increased by approximately HK\$6.7 million or 29.0% from approximately HK\$23.1 million for the year ended 31 March 2016 to approximately HK\$29.8 million for the year ended 31 March 2017. The number of active brands licensed by our Group increased from 41 for the year ended 31 March 2016 to 56 for the year ended 31 March 2017. We generated revenue from five and 20 new brands for the two years ended 31 March 2017, respectively. Such increase in revenue was mainly attributable to the (i) the increase from 69 sub-licensees for the year ended 31 March 2016 to 83 sub-licensees for the year ended 31 March 2017 for the sub-licensing of a character in a Japanese anime; and (ii) the increase in our revenue from sub-licensing of brands by approximately HK\$1.3 million for the year ended 31 March 2017 as we had sub-licensed our brands to sub-licensees for organising nine promotional events for the year ended 31 March 2017, while we only sub-licensed our brands to sub-licensees for organising five promotional events for the year ended 31 March 2016.

Cost of sales

Cost of sales increased by approximately HK\$46.6 million or 51.0% from approximately HK\$91.4 million for the year ended 31 March 2016 to approximately HK\$138.0 million for the year ended 31 March 2017. The increase was in line with the increase in revenue in accordance with the royalty rates agreed with licensors.

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Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately HK\$46.1 million or 57.8% from approximately HK\$79.7 million for the year ended 31 March 2016 to approximately HK\$125.8 million for the year ended 31 March 2017. Our gross profit margin remained relatively stable at 46.6% for the year ended 31 March 2016 as compared to 47.7% for the year ended 31 March 2017.

Other income and gains

Other income and gains remained relatively stable at approximately HK\$5.1 million and approximately HK\$5.4 million for the two years ended 31 March 2017, respectively.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK\$13.6 million or 64.5% from approximately HK\$21.1 million for the year ended 31 March 2016 to approximately HK\$34.7 million for the year ended 31 March 2017. The increase was primarily due to (i) the increase in withholding tax expenses of HK\$10.3 million primarily due to the change in arrangement with certain of our major customers in the PRC, where the withholding tax was borne by these PRC customers for the year ended 31 March 2016. During the year ended 31 March 2017, the withholding tax liability was borne by us in accordance with the terms stipulated in the contracts signed between the relevant parties; and (ii) increase in staff costs of approximately HK\$5.1 million as a result of increase in headcounts.

General and administrative expenses

General and administrative expenses increased by approximately HK\$4.8 million or 39.0% from approximately HK\$12.3 million for the year ended 31 March 2016 to approximately HK\$17.1 million for the year ended 31 March 2017. The increase was primarily due to the increase in legal and professional fee of approximately HK\$2.6 million mainly as a result of the legal and tax advices provided to us in relation to the Tax Incident. See “Business – Legal and compliance – Non-compliance incidents” in this prospectus for details.

Other expenses, net

Other net expenses increased by approximately HK\$10.0 million or 147.1% from approximately HK\$6.8 million for the year ended 31 March 2016 to approximately HK\$16.8 million for the year ended 31 March 2017. The increase was primarily due to (i) the increase in impairment of trade receivables of approximately HK\$8.2 million for a customer, an online video company based in the PRC, which was unable to settle the amounts payable to us due to its financial difficulties; and (ii) tax penalty of approximately HK\$3.9 million incurred for the year ended 31 March 2017 in relation to the Tax Incident.

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Income tax expense

Income tax expense remained relatively stable at approximately HK\$9.3 million and approximately HK\$9.1 million for the year ended 31 March 2016 and 2017, respectively. Our effective tax rate decreased from 20.8% for the year ended 31 March 2016 to 14.5% for the year ended 31 March 2017. Such decrease was mainly due to the increase in tax credit for the PRC withholding tax of approximately HK\$5.0 million for the year ended 31 March 2017.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately HK\$18.3 million or 51.8% from approximately HK\$35.3 million for the year ended 31 March 2016 to HK\$53.6 million for the year ended 31 March 2017. Our net profit margin remained relatively stable at 20.3% for the year ended 31 March 2017 as compared to 20.7% for the year ended 31 March 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

The following table sets out the selected cash flow data from our combined statements of cash flows for the years/periods indicated:

	For the year ended 31 March			For the seven months ended 31 October	
	2016	2017	2018	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Operating cash flows before movements in working capital	52,983	73,320	108,179	58,405	127,809
Net cash flows from/(used in) operating activities	(22,431)	42,479	91,236	6,373	64,654
Net cash flows from/(used in) investing activities	(1,488)	(972)	(142)	(56)	20,178
Net cash flows used in financing activities	(13,373)	(2,391)	(48,995)	267	(86,413)
Net increase/(decrease) in cash and cash equivalents	(37,292)	39,116	42,099	6,584	(1,581)
Cash and cash equivalents at the beginning of year/period	126,419	89,162	128,680	128,680	169,067
Effect of foreign exchange rate changes, net	35	402	(1,712)	(423)	(384)
Cash and cash equivalents at the end of year/period	<u>89,162</u>	<u>128,680</u>	<u>169,067</u>	<u>134,841</u>	<u>167,102</u>

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Operating activities

Our net cash flows from operating activities was principally derived from the receipts from our revenue. Our operating expenses mainly comprised licence fee paid to licensors, staff costs, property rental and other operating expenses. During the Track Record Period, our net cash flows from operating activities represented profit before tax primarily adjusted for Hong Kong profits tax and overseas tax paid, interest income, non-cash items and changes in working capital.

For the seven months ended 31 October 2018, we had net cash flows from operating activities of approximately HK\$64.7 million and profit before tax of approximately HK\$117.8 million. Adjustments primarily included amortisation of intangible assets of approximately HK\$8.6 million. Changes in working capital represented a net cash outflow of approximately HK\$63.2 million, primarily attributable to an increase in trade receivables of approximately HK\$84.1 million, an increase in licensed assets of approximately HK\$34.5 million and a decrease in contract liabilities of approximately HK\$31.4 million which was in line with the increase in revenue. The effect was partially offset by an increase in trade payables of approximately HK\$75.6 million.

For the year ended 31 March 2018, we had net cash flows from operating activities of approximately HK\$91.2 million and profit before tax of approximately HK\$105.8 million. Adjustments primarily included depreciation of property, plant and equipment in the amount of approximately HK\$1.2 million and amortisation of intangible assets of approximately HK\$1.5 million. Changes in working capital represented a net cash outflow of approximately HK\$6.9 million, primarily attributable to an increase in licensed assets of approximately HK\$22.1 million and trade receivables of approximately HK\$7.2 million. The effect was partially offset by an increase in contract liabilities of approximately HK\$14.5 million and trade payables of approximately HK\$5.8 million. We paid Hong Kong profits tax of approximately HK\$10.1 million during the year ended 31 March 2018.

For the year ended 31 March 2017, we had net cash flows from operating activities of approximately HK\$42.5 million and profit before tax of approximately HK\$62.7 million. Adjustments primarily included impairment of trade receivables in the amount of approximately HK\$8.3 million, depreciation of property, plant and equipment in the amount of approximately HK\$1.5 million and amortisation of intangible assets of approximately HK\$1.0 million. Changes in working capital represented a net cash outflow of approximately HK\$17.8 million, primarily attributable to an increase in trade receivables of approximately HK\$52.5 million and an increase in licensed assets of HK\$11.5 million to cater for our business needs. The effect was partially offset by an increase in trade payables of approximately HK\$41.2 million. We paid Hong Kong profits tax of approximately HK\$13.0 million during the year ended 31 March 2017.

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For the year ended 31 March 2016, we had net cash used in operating activities of approximately HK\$22.4 million and profit before tax of approximately HK\$44.7 million. Adjustments primarily included depreciation of property, plant and equipment in the amount of approximately HK\$1.6 million, and write-down of licensed assets to net realisable value of approximately HK\$6.1 million. Changes in working capital represented a net cash outflow of approximately HK\$53.5 million, primarily attributable to an increase in licensed assets of approximately HK\$29.8 million to cater for our business needs and an increase in trade receivables of approximately HK\$23.9 million. The effect was partially offset by an increase in contract liabilities of approximately HK\$7.7 million. We paid Hong Kong profits tax of approximately HK\$22.0 million during the year ended 31 March 2016.

Investing activities

Our cash used in investing activities mainly consisted of the purchases of property, plant and equipment, and intangible assets which primarily arose from our programme rights arising from our investment in the production of media content. Our cash flow from investing activities mainly represented proceeds from disposal of property, plant and equipment and the bank balances of MAIL of approximately HK\$31.7 million following the completion of the MAIL Acquisition.

For the seven months ended 31 October 2018, we had net cash from investing activities of approximately HK\$20.2 million, which was primarily attributable to the bank balances of MAIL of approximately HK\$31.7 million following the completion of the MAIL Acquisition partially offset by the addition of intangible assets which primarily comprised programme rights arising from our investment in the production of media content.

For the year ended 31 March 2018, we had net cash used in investing activities of approximately HK\$0.1 million, which was primarily due to purchases of items of property, plant and equipment of approximately HK\$0.3 million partially offset by interest received.

For the year ended 31 March 2017, we had net cash used in investing activities of approximately HK\$1.0 million, which was primarily due to addition of intangible assets which primarily comprised programme rights from our investment in production of media contents and items of property, plant and equipment.

For the year ended 31 March 2016, we had net cash used in investing activities of approximately HK\$1.5 million, which was primarily due to purchases of intangible assets partially offset proceeds from disposal of items of property, plant and equipment.

Financing activities

Our cash inflows from financing activities mainly consisted of advances from our shareholder. Our cash used in financing activities mainly consisted of dividends paid and repayment of amounts due to our shareholder.

For the seven months ended 31 October 2018, we had net cash used in financing activities of approximately HK\$86.4 million, which primarily consisted of dividends paid of approximately HK\$53.3 million and repayment to a shareholder of approximately HK\$33.8 million.

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For the year ended 31 March 2018, we had net cash used in financing activities of approximately HK\$49.0 million, which primarily consisted of net repayment to a shareholder of approximately HK\$49.0 million.

For the year ended 31 March 2017, we had net cash used in financing activities of approximately HK\$2.4 million, which primarily consisted of dividend paid of approximately HK\$3.0 million which was partially offset by the advance from a shareholder of approximately HK\$0.6 million.

For the year ended 31 March 2016, we had net cash used in financing activities of approximately HK\$13.4 million, which primarily consisted of net repayment to a shareholder of approximately HK\$12.1 million and dividend paid of approximately HK\$1.3 million.

Net current assets

The table below sets out the summaries of our current assets and current liabilities as at the dates indicated:

	As at 31 March			As at 31 October	As at
	2016	2017	2018	2018	28 February 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Current assets					
Licensed assets	72,702	84,623	107,824	155,186	150,456
Trade receivables	70,030	113,977	121,298	239,751	149,417
Prepayments, deposits and other receivables	1,108	3,733	2,735	6,749	18,069
Due from related parties	7,810	4,658	5,280	–	–
Due from a shareholder	–	–	–	–	379
Tax recoverable	–	2,530	870	803	803
Cash and cash equivalents	89,162	128,680	169,067	167,102	226,680
	<u>240,812</u>	<u>338,201</u>	<u>407,074</u>	<u>569,591</u>	<u>545,804</u>
Current liabilities					
Trade payables	32,563	73,826	79,749	182,783	125,820
Accruals and other payables	9,712	20,264	33,309	50,880	54,545
Contract liabilities	17,799	11,270	25,865	33,174	52,566
Due to a shareholder	82,998	83,473	34,477	254	–
Dividend payables	1,250	3,250	53,250	–	72,500
Tax payable	2,927	1,498	1,699	22,542	11,114
	<u>147,249</u>	<u>193,581</u>	<u>228,349</u>	<u>289,633</u>	<u>316,545</u>
Net current assets	<u>93,563</u>	<u>144,620</u>	<u>178,725</u>	<u>279,958</u>	<u>229,259</u>

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Our total current assets as at 31 March 2016, 2017 and 2018, 31 October 2018 and 28 February 2019 amounted to approximately HK\$240.8 million, HK\$338.2 million, HK\$407.1 million, HK\$569.6 million and HK\$545.8 million, respectively, which consisted of licensed assets, trade receivables, prepayments, deposits and other receivables, due from related parties, tax recoverable and cash and cash equivalents. The amount of approximately HK\$379,000 due from a shareholder as at 28 February 2019 will be settled before the Listing. Our total current liabilities as at 31 March 2016, 2017 and 2018, 31 October 2018 and 28 February 2019 amounted to approximately HK\$147.2 million, HK\$193.6 million, HK\$228.3 million, HK\$289.6 million and HK\$316.5 million, respectively, which consisted of trade payables, accruals and other payables, contract liabilities, due to a shareholder, dividend payables and tax payable.

Our net current assets increased from approximately HK\$93.6 million as at 31 March 2016 to approximately HK\$144.6 million as at 31 March 2017. The increase was primarily due to an increase in trade receivables and cash and cash equivalents of approximately HK\$43.9 million and HK\$39.5 million, respectively, which was in line with the increase in revenue. The increase was partially offset by an increase in trade payables of approximately HK\$41.3 million.

Our net current assets increased to approximately HK\$178.7 million as at 31 March 2018. The increase was primarily due to (i) an increase in licensed assets of approximately HK\$23.2 million; (ii) an increase in cash and cash equivalents of approximately HK\$40.4 million from our operations; and (iii) a decrease in amount due to a shareholder of approximately HK\$49.0 million. The increase was partially offset by an increase in dividend payable of approximately HK\$50.0 million, an increase in contract liabilities of approximately HK\$14.6 million and an increase in accruals and other payables of approximately HK\$13.0 million primarily resulting from increase in withholding tax and salaries payables.

Our net current assets increased to approximately HK\$280.0 million as at 31 October 2018. The increase was primarily due to an increase in trade receivables and licensed assets of approximately HK\$118.5 million and approximately HK\$47.4 million, respectively which was in line with the increase in our revenue and settlement of dividend payable of HK\$53.3 million. The increase was partially offset by an increase in trade payables of approximately HK\$103.1 million.

Our net current assets decreased to approximately HK\$229.3 million as at 28 February 2019. The decrease was primarily due to dividend payable of approximately HK\$72.5 million, the payment of which was made on 25 March 2019.

Working capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our internal resources generated from operations, existing cash and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

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Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our liquidity. See “Future plans and use of proceeds” in this prospectus for further details of the funds necessary to meet our existing operations and to fund our future plans.

DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment consisted of leasehold properties, leasehold improvements, furniture, fixtures and other equipment, computer equipment and motor vehicle. As at 31 March 2016, 2017 and 2018 and 31 October 2018, the carrying amount of our property, plant and equipment amounted to approximately HK\$9.7 million, HK\$8.6 million, HK\$8.4 million and HK\$7.7 million, respectively. Such decrease throughout the Track Record Period was primarily attributable to depreciation charged for each year/period partially offset by additions of certain items of leasehold improvements, furniture, fixtures and equipment, computer equipment.

Goodwill

Our goodwill, amounting to approximately HK\$29.7 million as at 31 October, arose from the completion of the MAIL Acquisition in August 2018.

The recoverable amount of the brand licensing cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 16.5%. The growth rate used to extrapolate the cash flows of the brand licensing unit beyond the five-year period is 3%, which is the same as the long term average growth rate of the brand licensing market.

Based on the results of the goodwill impairment testing, the estimated recoverable amount of the brand licensing cash-generating unit exceeded its carrying amount by approximately HK\$25,978,000 as at 31 October 2018. By applying a 930 basis point increase in the pre-tax discount rate or a 700 basis points decrease in the budgeted gross margin as at 31 October 2018, the recoverable amount of the brand licensing cash-generating unit would result in being approximately equal to its carrying amount.

In the opinion of the Directors, any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the relevant cash generating unit's carrying amount to exceed its recoverable amount.

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Intangible assets

Our intangible assets consisted of our programme rights arising from our investment in the production of media content, computer softwares throughout the Track Record Period and also brand licensing contracts arising from the completion of the MAIL Acquisition in August 2018. Our programme rights arising from our investment in the production of media content and computer softwares, are stated at cost less any impairment losses. Programme rights arising from our investment in the production of media content are amortised based on the proportion of actual income earned during the year to the total estimated income. The computer softwares amortised on a straight-line basis over their estimated useful lives of 5 years. As at 31 March 2016 and 2017, our intangible assets remained relatively stable at approximately HK\$1.3 million and HK\$2.0 million, respectively. Our intangible assets then increased to approximately HK\$10.2 million as at 31 March 2018 mainly due to addition of our programme rights arising from our investment in two Japanese animation series.

Our intangible assets also included brand licensing contracts arising from the MAIL Acquisition which amounted to approximately HK\$7.4 million as at 31 October 2018. Our brand licensing contracts are amortised based on the proportion of actual income earned during the year to the total estimated income. Alongside the effect of the addition of the programme rights arising from our investment in the production of media content of approximately HK\$6.3 million for the investment of the programme rights for two media content partially offset by respective amortisation, our intangible assets increased to approximately HK\$16.0 million as at 31 October 2018.

Licensed assets

Licensed assets represented the remaining amount of minimum guarantee, which have not been recouped. Minimum guarantee is usually non-refundable but recoupable against the royalty payable by us. Our licensed assets comprised (i) licensing rights; and (ii) prepayments for licensing rights.

When the licensing agreements have been signed but licensing period is yet to begin, these costs are recorded as prepayments under our licensed assets.

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The table below sets out the breakdown of our licensed assets and average turnover days as at/for the dates indicated:

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Licensing rights	54,638	79,070	96,503	153,513
Prepayments for licensing rights	18,064	5,553	11,321	1,673
	72,702	84,623	107,824	155,186
Average turnover days of licensing rights ^(Note)	207	177	204	146

Note: Average turnover days of licensing rights are calculated by dividing the average balances of licensing rights by cost of sales and multiplied by 365 days for the three years ended 31 March 2018 and 214 days for the seven months ended 31 October 2018, respectively. Average licensing rights are calculated by dividing by two the sum of licensing rights at the beginning of the year/period and licensing rights at the end of the year/period.

Our licensed assets, including licensing rights and prepayments for licensing rights, pertain to 82, 97, 121 and 124 titles of media content/brands and content related rights as at 31 March 2016, 2017 and 2018 and 31 October 2018, respectively. Our licensed assets increased from approximately HK\$72.7 million as at 31 March 2016 to approximately HK\$84.6 million as at 31 March 2017 and further to approximately HK\$107.8 million and HK\$155.2 million as at 31 March 2018 and 31 October 2018, respectively, to cater for our business needs. The table below sets out the respective range of total licensing periods and remaining term of licensing periods of those titles of content or brands to which our licensed assets were related:

	Range of licensing periods			
	As at 31 March			As at 31 October
	2016	2017	2018	2018
	<i>(Number of years)</i>			
Range of licensing period	2-13	1.24-12	2-12	2-13
Remaining term of licensing period	0.3-10	1-9	0.2-9.2	0.2-8.6

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Our average turnover days of licensing rights generally represented the days we took to recoup our minimum guarantee and were 207 days, 177 days, 204 days and 146 days, for the three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively. Our turnover days decreased from approximately 207 days for the year ended 31 March 2016 to approximately 177 days for the year ended 31 March 2017 as a result of the increase in excess royalty we generated during the year ended 31 March 2017. Our turnover days then increased to 204 days for the year ended 31 March 2018 which was consistent with the movement of our total licensing rights. Our turnover days then decreased to approximately 146 days for the seven months ended 31 October 2018 as some of the titles we sold were old titles of which their balance of licensing rights were utilised in the period or fully utilised in previous years.

The following table sets out the movement of our licensing rights and the number of titles of our media content for which licensing rights were recognised for the years/period indicated:

	31 March			31 October
	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Movement of licensing rights				
At the beginning of the year/period	48,988	54,638	79,070	96,503
Additions:	94,395	153,987	165,107	224,158
<i>Minimum guarantee</i>	76,026	132,038	140,734	169,047
<i>Excess royalties</i>	18,369	21,949	24,373	42,753
<i>Licensing rights from MAIL Acquisition</i>	–	–	–	12,358
Recognised as cost of sales	(82,678)	(129,960)	(148,727)	(166,844)
(Write-down)/reversal of write-down of licensing rights to net realisable value, net	(6,067)	405	1,053	(304)
At the end of the year/period	<u>54,638</u>	<u>79,070</u>	<u>96,503</u>	<u>153,513</u>

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	For the year ended 31 March			For the seven months ended 31 October
	2016	2017	2018	2018
Number of our new titles and renewed titles of media content for which minimum guarantee payments were required to be paid by us	63	64	64	75

We perform regular review of the carrying amounts of licensing rights with reference to ageing analysis and other specific assessments including projections of expected future saleability of licensing rights based on historical sales patterns and other specific attributes, and management experience and judgement. Based on such review, write-down of licensing rights will be made when the carrying amounts of licensing rights decline below their estimated net realisable values. For the three years ended 31 March 2016, 2017 and 2018 and the seven months ended 31 October 2018, we recognised net write-down of licensing rights to net realisable value of approximately HK\$6.1 million, net reversal of approximately HK\$0.4 million, net reversal of approximately HK\$1.1 million and net write-down of HK\$0.3 million, respectively. We considered the estimated royalty payable to the licensors in relation to 19, two, nil and four of our active titles of media content, which were still within their respective licensing period, was lower than their minimum guarantee amount paid for these titles and thus, the amount of the licensing rights for these titles were written down to their net realisable value during the three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively. During the three years ended 31 March 2018 and the seven months ended 31 October 2018, four, 10, 16 and four of our active titles of media content, which were written down previously, were subsequently sold and thus, reversal of write-down for these titles of media content was recorded, respectively.

As at 28 February 2019, approximately HK\$25.3 million or 16.5% of our licensed assets as at 31 October 2018 had been subsequently distributed.

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Trade receivables

Our trade receivables primarily consisted of trade receivables from (i) customers for the media content and sub-licensees for brands; and (ii) the brand licensors as a result of our provision of licensing agency services to them. Unbilled receivables represent the amount of media content we had already delivered to our customers but invoices had yet to be issued because it takes time for internal approval before issuing invoices. During the Track record period, most of our trade receivables arose from our Media Content Distribution Business. Our revenue and the corresponding trade receivables from the distribution of media content are recognised at the point in time when the media content has been delivered to our customers or when the rights to use the media content has been provided to our customers. For Media Content Distribution Business, generally, after confirming the contract terms with our customers, our Group will enter into content sub-licensing agreements with our customers and issue invoices to them. As such, we do not recognise revenue upon issuance of invoices. Our customers are generally required to settle our invoices from 30 to 45 working days after the respective payment milestones have been reached as stipulated in the content sub-licensing agreements. As at 31 March 2016, 2017 and 2018 and 31 October 2018, our trade receivables amounted to approximately HK\$6.6 million, HK\$27.1 million HK\$76.3 million and HK\$47.4 million which were attributable to media content delivered to our customers and which had not reached the respective payment milestones specified in the underlying agreements.

The following table sets out our trade receivables and average turnover days of our trade receivables as at/for the dates indicated:

	As at 31 March			As at
	2016	2017	2018	31 October 2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables				
– Billed receivables	69,045	103,657	120,294	236,251
– Unbilled receivables	1,131	18,691	9,445	14,650
	70,176	122,348	129,739	250,901
Less: impairment	(146)	(8,371)	(8,441)	(11,150)
	<u>70,030</u>	<u>113,977</u>	<u>121,298</u>	<u>239,751</u>
Average turnover days of trade receivables ^(Note)	<u>124</u>	<u>127</u>	<u>137</u>	<u>110</u>

Note: Average turnover days of trade receivables are calculated by dividing the average balances of trade receivables by revenue and multiplied by 365 days for the three years ended 31 March 2018 and 214 days for the seven months ended 31 October 2018, respectively. Average trade receivables are calculated by dividing by two the sum of trade receivables at the beginning of the period and trade receivables at the end of the period.

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Our trade receivables increased from approximately HK\$70.0 million as at 31 March 2016 to approximately HK\$114.0 million as at 31 March 2017, and further increased to approximately HK\$121.3 million as at 31 March 2018 and approximately HK\$239.8 million as at 31 October 2018, which increased in line with our increase in revenue. Our average turnover days also increased from 124 days for the year ended 31 March 2016 to 127 days for the year ended 31 March 2017 and further increased to 137 days for the year ended 31 March 2018. Our average turnover days of trade receivables then decreased to 110 days as at 31 October 2018 mainly as a result of the shorter settlement time of our customers for the seven months ended 31 October 2018.

An ageing analysis, based on the invoice dates, of our billed trade receivables as at the dates indicated below is as follows:

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	16,539	36,156	10,831	18,526
31 to 60 days	1,545	6,823	68,445	32,139
61 to 90 days	18,752	8,898	810	29,353
91 to 180 days	19,964	7,023	14,918	124,854
181 to 360 days	7,954	31,238	9,190	14,249
Over 360 days	4,291	13,519	16,100	17,130
	69,045	103,657	120,294	236,251

During the Track Record Period, we generally entered into content sub-licensing agreements and issued invoices to our customers after confirming the contract terms with our customers. The above ageing analysis was conducted based on the invoice date. As our content sub-licensing agreements generally comprise two to four payment milestones with the first payment milestone usually being due upon the submission of the letter of authorisation relating to the media content to our customers and the second payment milestone and/or the remaining payment milestones due after the delivery or the broadcast of last episode of the media content, our invoice dates would generally be earlier than the respective dates of payment milestone and therefore there will be a time lag between the invoice dates and the payment due dates based on the payment milestones, depending on the terms of respective content sub-licensing agreements. As such, our trade receivable turnover days during the Track Record Period were significantly higher than the credit period (which was generally 30 to 45 working days after the respective dates of the payment milestones as stipulated in the content sub-licensing agreements) granted to our customers.

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The trade receivables aged over 90 days, based on invoice date, increased significantly from approximately HK\$40.2 million as at 31 March 2018 to HK\$156.2 million as at 31 October 2018 mainly due to (i) the significant increment in our revenue during the seven months ended 30 October 2018; and (ii) the payment milestones of some of the titles of our licensed media content had not been reached while the corresponding invoices were already issued.

Up to 28 February 2019, approximately HK\$166.1 million or 70.3% of our billed trade receivables outstanding as at 31 October 2018 were settled. The remaining outstanding billed trade receivables, net of impairment, of approximately HK\$59.0 million were mainly from customers with good reputation, proven settlement record and/or have continual business relationships with our Group.

We seek to maintain strict control over our outstanding receivables as overdue balances are reviewed regularly by senior management. We do not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Prior to 1 April 2018, we assess whether there is objective evidence, such as debtors experiencing significant financial difficulty, default and the probability that the debtors will be bankrupt or other financial reorganisation, that trade receivables are impaired. As a result of our assessment, impairment loss of approximately HK\$8.3 million was recognised during the year ended 31 March 2017, resulting from increase in impairment balance from approximately HK\$0.1 million as at 31 March 2016 to approximately HK\$8.4 million as at 31 March 2017. The balance then remained relatively stable at approximately HK\$8.4 million as at 31 March 2018.

From 1 April 2018, we applied the simplified approach to provide for impairment for expected credit losses prescribed by HKFRS 9 for all trade receivables. We consider historical experience, forward looking information and the days past due of each type of the trade receivables to measure the expected credit losses. As a result, our impairment balance increased to approximately HK\$11.2 million as at 31 October 2018.

The table below sets out a summary of the ageing analysis of billed trade receivables that were neither individually nor collectively to be impaired under HKAS 39:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	24,781	27,823	74,993
Less than 3 months past due	18,361	26,172	15,605
3 to 6 months past due	5,158	4,874	1,415
7 to 12 months past due	17,005	32,410	10,363
Over 12 months past due	3,594	4,007	9,477
	68,899	95,286	111,853

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Our billed trade receivables that were neither past due nor impaired mainly related to a number of customers including certain large customers with good payment record with our Group which had no recent history of default and no significant changes in credit risk.

The provisions for impairment on our trade receivables was approximately HK\$146,000, HK\$8.4 million, HK\$8.4 million and HK\$11.2 million as at 31 March 2016, 2017, 2018 and 31 October 2018, which represented approximately 0.2%, 8.1%, 7.0% and 4.7% of our billed trade receivables respectively as at the same date. During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes on the billed trade receivables with our customers resulting in any reversal of revenue. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 28 February 2019, approximately HK\$4.7 million or 32.1% of our unbilled receivables outstanding as at 31 October 2018 was billed.

Prepayments, deposits and other receivables

The following table sets out the breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 March			As at
	2016	2017	2018	31 October
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	1,987	2,788	1,472	5,068
Deposits	363	479	517	694
Other receivables	439	472	1,096	1,143
Total	2,789	3,739	3,085	6,905
Less: portion classified under non-current assets	(1,681)	(6)	(350)	(156)
Portion classified under current assets	1,108	3,733	2,735	6,749

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Prepayments

Our prepayments mainly comprised (i) prepaid promotion costs in relation to the movie distributions and events organised by us; (ii) rental expenses; (iii) prepayments for drama investments; and (iv) other prepaid expenses. Our prepayments was relatively higher at approximately HK\$2.8 million as at 31 March 2017 primarily due to increase in prepaid promotion expenses in relation to theatrical release. Our prepayments increased from approximately HK\$1.5 million as at 31 March 2018 to approximately HK\$5.1 million as at 31 October 2018 mainly due to deferred Listing expenses and prepayments for Listing expenses of approximately HK\$3.1 million.

Deposits

Our deposits mainly comprised rental deposit for offices, warehouses and car parks. The balance remained relatively stable at approximately HK\$0.4 million, HK\$0.5 million, HK\$0.5 million and HK\$0.7 million as at 31 March 2016, 2017, 2018 and 31 October 2018, respectively.

Other receivables

Our other receivables comprised refundable payment for the cancellation of a drama investment contract and advances to staff. Our other receivables increased from approximately HK\$0.4 million and HK\$0.5 million as at 31 March 2016 and 2017, respectively, to HK\$1.1 million as at 31 March 2018 as a result of the refundable payment of approximately HK\$1.1 million arising from the cancellation of a drama investment contract during the period. Our other receivables then remained relatively stable at approximately HK\$1.1 million as at 31 October 2018.

Amounts due from related parties

Our amounts due from related parties consisted of balances due from MAIL, which became part of our Group in August 2018, and Ms. Noletta Chiu, one of our Directors. Our amounts due from related parties amounted to approximately HK\$7.8 million, HK\$4.7 million, HK\$5.3 million and nil as at 31 March 2016, 2017 and 2018 and 31 October 2018, respectively.

All our amounts due from related parties were unsecured, interest-free, and repayable on demand. All the amounts due from related parties will be settled before Listing. For further details of related party transactions and balances, please refer to note 28 to the Accountants' Report in Appendix I to this prospectus.

Trade payables

Our trade payables primarily consisted of payables for obtaining the licensing rights for media content and sub-licensing rights for the brands. The unbilled trade payables represent royalties payables being recognised before we receive invoice from our licensors. Since our

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licensors will only issue invoice to us after we send them the royalty report, which is generally done on a quarterly basis, part of our royalties payables were uninvoiced. The table below sets out an ageing analysis of our trade payables, based on the invoice date, and our trade payables turnover days as at/for the dates indicated.

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unbilled trade payables	23,870	42,862	50,961	110,008
Within 1 month	4,180	10,554	14,506	9,156
1 to 3 months	2,274	7,055	7,935	36,014
More than 3 months	2,239	13,355	6,347	27,605
	<u>32,563</u>	<u>73,826</u>	<u>79,749</u>	<u>182,783</u>
 Average turnover days of trade payables ^(Note)	<u>140</u>	<u>141</u>	<u>179</u>	<u>153</u>

Note: Average turnover days of trade payables are calculated by dividing the average balances of trade payables by cost of sales and multiplied by 365 days for the three years ended 31 March 2018 and 214 days for the seven months ended 31 October 2018, respectively. Average trade payables are calculated by dividing by two the sum of trade payables at the beginning of the period and trade payables at the end of the period.

Our trade payables increased from approximately HK\$32.6 million as at 31 March 2016 to approximately HK\$73.8 million as at 31 March 2017, and further increased to approximately HK\$79.7 million as at 31 March 2018 and HK\$182.8 million and 31 October 2018, which was in line with the increase in the number of titles for which we obtained licensing rights and the increase of excess royalty payable to our licensors.

For the minimum guarantee payments to our licensors, the payment terms and due dates are specified in the relevant contracts and are usually settled by instalments. For royalty payable which exceeds minimum guarantee, the credit period is generally due when we submit the royalty reports to our licensors which is subsequent to the collection of corresponding trade receivables from our customers.

Our average turnover days of trade payables were 140 days, 141 days, 179 days and 153 days for the three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively, which were in line with the fluctuations of our turnover days of trade receivables as we generally only settled our trade payables to our licensors after our customers had settled their trade receivables with us.

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As at 28 February 2019, approximately HK\$66.2 million or 36.2% of trade payables outstanding as at 31 October 2018 had been fully settled. Our Directors confirmed that during the Track Record Period up to the Latest Practicable Date, there was no material default in payment of trade payables.

Accruals and other payables

The following tables set out the breakdown of our accruals and other payables as at the dates indicated:

	As at 31 March			As at
	2016	2017	2018	31 October
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals	760	3,278	4,862	5,526
Other payables	8,952	16,986	28,447	45,354
	9,712	20,264	33,309	50,880

Our accruals and other payables mainly represented accruals for staff costs, legal and professional fee in relation to tax advises for the Tax Incident and withholding tax payables.

Accruals and other payables increased from approximately HK\$9.7 million as at 31 March 2016 to approximately HK\$20.3 million as at 31 March 2017, which was mainly attributable to increase in withholding tax payables which was in line with the increase in revenue.

Accruals and other payables then increased to approximately HK\$33.3 million as at 31 March 2018, which was mainly attributable to a payable in relation to the programme rights arising from our investment in the production of media content of approximately HK\$10.6 million. The balance then further increased to approximately HK\$50.9 million as at 31 October 2018 mainly due to (i) the increase in withholding tax payables which was in line with the increase in our revenue; and (ii) the payables for Listing expenses of approximately HK\$3.8 million.

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Contract liabilities

Contract liabilities include advance payments received and unearned revenue arising from our brand sub-licensing contracts with customers. Contract liabilities are recognised as revenue upon us satisfying our performance obligations under the relevant contracts. The following table sets out the breakdown of contract liabilities as at the dates indicated:

	As at 31 March			As at
	2016	2017	2018	31 October
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
Media Content Distribution				
Business	9,376	3,715	19,396	7,273
Brand Licensing Business	8,423	7,555	6,469	25,901
	<u>17,799</u>	<u>11,270</u>	<u>25,865</u>	<u>33,174</u>

The fluctuation in balances of contract liabilities as at each year/period end was mainly affected by the timing of advances received from customers and the commencement of licensing period. The contract liabilities were approximately HK\$17.8 million, HK\$11.3 million, HK\$25.9 million and HK\$33.2 million as at 31 March 2016, 2017 and 2018 and 31 October 2018.

Amount due to a shareholder

Our amount due to a shareholder represented an amount due to Ms. Lovinia Chiu, our Controlling Shareholder, which amounted to approximately HK\$83.0 million, HK\$83.5 million, HK\$34.5 million and HK\$0.3 million as at 31 March 2016, 2017 and 2018 and 31 October 2018, respectively.

All of our amount due to a shareholder was unsecured, interest-free and repayable on demand. All of our amount due to a shareholder will be settled before Listing. For further details on the related party transactions and balances, please refer to note 28 to the Accountants' Report in Appendix I to this prospectus.

CAPITAL EXPENDITURES

Our Group's capital expenditures principally consisted of expenditures for our investment in the production of media content for our operations. During the Track Record Period, our Group incurred capital expenditures of approximately HK\$1.4 million, nil, HK\$10.6 million and HK\$6.3 million, respectively. During the period between 1 November 2018 and the Latest Practicable Date, we had not incurred any significant amount of capital expenditures.

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Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. See "Future plans and use of proceeds" in this prospectus for further details.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds from the Global Offering, and cash generated from our operating activities. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As at the dates indicated below, our Group had commitments for future minimum lease payments in respect of offices, warehouses and carparks under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	1,963	696	2,459	2,255
In the second to fifth years, inclusive	507	–	333	292
	<u>2,470</u>	<u>696</u>	<u>2,792</u>	<u>2,547</u>

Capital commitments

During the Track Record Period, we had no capital commitment that were not provided for in our combined financial statements.

INDEBTEDNESS

As at 31 March 2016, 2017 and 2018 and 28 February 2019, we had no bank borrowings and no available banking facilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at the Latest Practicable Date, our Group did not have outstanding any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

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Contingent liabilities

As at 28 February 2019, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

Our Directors confirm that we had not entered into any off-balance sheet transaction since 31 October 2018 to the date of the prospectus.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set out in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to the Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios as at each of the dates/periods indicated:

	For the year ended/as at			For the seven	
	31 March			months ended/as at	
	2016	2017	2018	2017	2018
Profitability ratios					
Gross profit margin (%) ⁽¹⁾	46.6	47.7	50.0	50.1	47.9
Net profit margin (%) ⁽²⁾	20.7	20.3	29.9	27.4	27.6
Return on equity (%) ⁽³⁾	33.2	34.5	47.5	N/A	49.8
Return on total assets (%) ⁽⁴⁾	13.9	15.4	22.0	N/A	26.6
Liquidity ratio					
Current ratio ⁽⁵⁾	1.6	1.7	1.8	N/A	2.0
Capital adequacy ratios					
Gearing ratio ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A
Debt to equity ratio ⁽⁷⁾	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Gross profit margin was calculated by dividing gross profit for the year/period by revenue and multiplying the resulting value by 100%. See "Review of historical results of operation" in this section above for details of our gross profit margins.
- (2) Net profit margin was calculated by dividing profit for the year/period by revenue and multiplying the resulting value by 100%. See "Review of historical results of operation" in this section above for details of our net profit margins.

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- (3) For the three years ended 31 March 2018, return on equity was calculated by dividing profit for the year/period by total equity at the end of the respective years and multiplying the resulting value by 100%. For the seven months ended 31 October 2018, the calculation return of equity is calculated by dividing profit for period by total equity, multiplying 365/214, and then multiplying the resulting value by 100%.
- (4) For the three years ended 31 March 2018, return on total assets was calculated by dividing profit for the year/period by the total assets at the end of the respective years and multiplying the resulting value by 100%. For the seven months ended 31 October 2018, return on total assets is calculated by dividing profit for the period by the total assets as at 31 October 2018, multiplying 365/214 and then multiplying the resulting value by 100%.
- (5) Current ratios as at 31 March 2016, 2017, 2018 and 31 October 2018 were calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.
- (6) Gearing ratios as at 31 March 2016, 2017, 2018 and 31 October 2018 were calculated based on the total interest-bearing borrowings as at the respective dates divided by total equity as at the respective years and multiplied by 100%.
- (7) Debt to equity ratios as at 31 March 2016, 2017, 2018 and 31 October 2018 were calculated based on the total interest-bearing borrowings net of cash and cash equivalents as at the respective dates divided by total equity as at the respective years and multiplied by 100%.

Return on equity

Our return on equity was 33.2%, 34.5%, 47.5% and 49.8% for the three years ended 31 March 2018 and for the seven months ended 31 October 2018, respectively.

Our return on equity remained relatively stable for the two years ended 31 March 2017. The increase in our return on equity for the year ended 31 March 2018 was primarily due to the increase in profit for the year ended 31 March 2018 mainly as a result of the increase in revenue and other income and gains. Our return on equity, based on the annualised profit for the year, remained relatively stable at 49.8% as at 31 October 2018.

Return on total assets

Our return on total assets was 13.9%, 15.4%, 22.0% and 26.6% for the three years ended 31 March 2018 and for the seven months ended 31 October 2018, respectively.

Our return on total assets increased throughout the Track Record Period mainly attributable to the increase in profit for the year from our operations.

Current ratio

Our current ratio was 1.6, 1.7, 1.8 and 2.0 as at 31 March 2016, 2017, 2018 and 31 October 2018, respectively, which was mainly due to our increase in cash generated from our operations.

Gearing ratio and debt to equity ratio

During the Track Record Period, our Group did not have any interest-bearing borrowings. Thus, neither the gearing ratio nor the debt to equity ratio was applicable to our Group.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risk, such as market risk including foreign currency risk, credit risk and liquidity risk.

Details of the risk to which we are exposed are set out in note 31 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

LISTING EXPENSES

Total expenses in relation to the Listing amounted to approximately HK\$38.8 million. During the Track Record Period, we incurred Listing expenses of approximately HK\$7.0 million for the seven months ended 31 October 2018. For the year ended 31 March 2019 and the year ending 31 March 2020, we expect to recognise HK\$19.2 million and HK\$4.8 million, respectively, in our combined statements of profit or loss, and approximately HK\$14.8 million as a deduction in equity upon Listing.

DIVIDEND

During the Track Record Period, no dividend had been paid or declared by our Company. The dividends declared by our subsidiaries to their then shareholder, amounting to approximately nil, HK\$5.0 million, HK\$50.0 and nil for three years ended 31 March 2018 and the seven months ended 31 October 2018, respectively, were fully paid as at the Latest Practicable Date. On 23 November 2018, our subsidiaries declared interim dividends of approximately HK\$72.5 million to their then shareholder and the payment of which was made on 25 March 2019.

After Listing, the declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our Shareholders. We do not intend to determine any expected dividend payout ratio after Listing. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

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Any distributable profits that are not distributed in any given year will be retained and be available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 29 October 2018 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

See “Appendix II – Unaudited pro forma financial information” in this prospectus for our unaudited pro forma adjusted combined net tangible assets.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

We have continued to focus on our businesses of Media Content Distribution Business and Brand Licensing Business after the Track Record Period. After the Track Record Period and up to the Latest Practicable Date, we had been granted rights to sub-license 47 titles of media content; and granted rights to sub-license and/or entered into agency arrangements with 12 brands.

We estimate that our net profit for the year ended 31 March 2019 would be slightly higher than that for the seven months ended 31 October 2018 by approximately 3.3%, which is mainly due to the following reasons:

- (i) we experienced a substantial growth in our revenue during the seven months ended 31 October 2018. Our revenue increased by approximately HK\$175.5 million or 99.4% from approximately HK\$176.6 million for the seven months ended 31 October 2017 to approximately HK\$352.1 million for the seven months ended 31 October 2018. Such substantial growth was primarily resulted from the revenue generated from our release of new season of an animation series in April 2018 following the success of its previous seasons which were aired in 2017. As such animation series was delivered and most of the revenue arising from it was recognised during the seven months ended 31 October 2018, our average monthly revenue for the seven months ended 31 October 2018 was higher than our estimated monthly revenue for the five months ended 31 March 2019;
- (ii) we expect to recognise Listing expenses of approximately HK\$12.2 million during the five months ended 31 March 2019 while we recognised Listing expenses of approximately HK\$7.0 million during the seven months ended 31 October 2018; and

FINANCIAL INFORMATION

- (iii) we agreed to grant our Directors and certain members of our senior management a total amount of special and discretionary bonuses of approximately HK\$10.0 million during the five months ended 31 March 2019 as a reward to their effort and performance for the year ended 31 March 2019. No such bonus was considered and granted for the year ended 31 March 2018.

Nonetheless, our estimated consolidated profit attributable to owners of our Company for the year ended 31 March 2019 followed an increasing trend with a slight increase of approximately 6.8% when compared to our net profit for the year ended 31 March 2018 and was significantly higher than its profit attributable to owners of our Company for each of the two years ended 31 March 2017.

Furthermore, in the first quarter of 2019, our Group had entered into contracts with aggregate contract sums of over HK\$70 million with our customers.

On 23 November 2018, our subsidiaries declared interim dividends of HK\$72.5 million to their then shareholder, and the payment of which was made on 25 March 2019.

To the best information and knowledge of our Directors, there had been no material changes in general economic and market condition of the Media Content Distribution Business and the Brand Licensing industry which would materially and adversely affect the business operation, the results of operations or financial conditions of our Group after 31 October 2018 and up to the date of this prospectus. Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since 31 October 2018, and there is no event since 31 October 2018 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2019

Our Directors have prepared the estimate of the consolidated profit attributable to owners of our Company for the year ended 31 March 2019 (“**Profit Estimate**”) based on the audited combined results of our Group for the seven months ended 31 October 2018, the unaudited consolidated results based on the management accounts of our Group for the three months ended 31 January 2019 and an estimate of the consolidated results of our Group for the remaining two months ended 31 March 2019. The Profit Estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants' Report as set out in Appendix I to this prospectus.

Profit Estimate for the year ended 31 March 2019

Estimated consolidated profit attributable to
owners of our Company Not less than HK\$100.3 million

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BUSINESS OBJECTIVES AND STRATEGIES

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

REASONS FOR THE LISTING

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

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

Moreover, our Directors consider that there is growth potential in the media content distribution market for both Japanese animation and foreign drama. According to the Frost & Sullivan Report, the global revenue of Japanese animation content distribution market is expected to grow from approximately HK\$55.5 billion in 2018 to approximately HK\$75.5 billion in 2022, with a CAGR of 8.0%. Our Group intends to first enhance our established position in the existing markets including the PRC, the Philippines, Thailand, Singapore and Malaysia and then gradually and strategically expand into other new regions, such as Vietnam and Cambodia. The total market size of the Japanese animation market of the PRC is expected to grow from approximately HK\$1.6 billion in 2017 to approximately HK\$3.3 billion in 2022 with a CAGR of 15.3%. According to the Frost & Sullivan Report, the total market size of the Japanese animation distribution market of the Southeast Asian countries including the Philippines, Thailand, Singapore, Malaysia, Vietnam and Cambodia is expected to grow from approximately HK\$202.5 million in 2018 to HK\$339.3 million in 2022, with a CAGR of 13.8%. The market size of foreign drama distribution in these Southeast Asian countries is expected to grow from

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approximately HK\$290.1 million in 2018 to HK\$395.1 million in 2022, with a CAGR of approximately 8.0%. During the Track Record Period, our revenue from these Southeast Asian countries was approximately HK\$21.2 million, HK\$13.4 million, HK\$15.0 million and HK\$19.8 million, respectively, representing approximately 12.4%, 5.1%, 4.8% and 5.6% of our total revenue. Our revenue for these Southeast Asian countries was on a growing trend during the period from the year ended 31 March 2017 to the seven months ended 31 October 2018. To capture such market opportunities, we plan to apply a portion of our net proceeds from the Global Offering to obtain additional licensing rights for feature films, drama series and animation series. We envisage growth potential under the urbanisation and development of information technology will be strong in these regions, especially for those OTT channels/online media platforms operating in these regions. In April 2018, we extended our proprietary “Ani-One” brand to Malaysia and Brunei by cooperating with SMG Entertainment Sdn Bhd, (a subsidiary of the Star Media Group Berhad (MYX: 6084)) which operates a VOD service known as “dimsum”. Our Directors believe that leveraging our experience working with some prominent international OTT channels/online media platforms and our established relationships with media companies in these regions, we will be able to capture the growth of the media content distribution market in Southeast Asia. Our Group also intends to hire two additional sales personnel to further explore the Southeast Asian market and reach out to potential customers and three additional marketing and business development staff to develop and structure our business strategies in Southeast Asian countries. In order to acquire customers in the new geographical locations, we intend to assign designated staff to visit existing/potential customers regularly. Our Directors believe that some of our existing customers may refer other potential customers in the new geographical locations to us as they may also have a business presence in those locations. To enhance the visibility and marketability of the media content/brands we distribute/license, we plan to participate and organise marketing booths in trade fairs and conventions on a regular basis so as to promote our media content/brands to our potential customers, which may include Festival De Cannes (France), Kidscreen Summit (US), the National Association of Television Program Executives (NATPE) Marketplace and Conference (US), Annecy International Animated Film Festival (France), Asia Pacific Pay-TV Operators Summit (APOS) (Indonesia) and American Film Market (AFM) (US). Through these trade fairs and conventions, we are able to showcase our media content/brands to existing and potential customers, obtain business referrals, raise our corporate profile in the industry, expand our customer network and enhance our media content/brand offering.

We would also like to obtain inflight entertainment rights for certain media content to expand into the inflight entertainment market. According to the Frost & Sullivan Report, in recent years, the airline business has been continuously developing as the number of aircraft deliveries and the passenger traffic grow. The market of inflight entertainment is becoming increasingly standardised due to the growing demand and increasing awareness of copyrights. The airlines’ preference has changed from

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purchasing single media content separately to entering into long term contracts for the provision of media content. These factors are likely to further drive the global inflight Asian movie distribution market. The spending of airline companies on inflight entertainment has shown a growth trend in recent years. The spending on media contents by airline companies increased from approximately HK\$8.2 billion in 2013 to HK\$15.3 billion in 2017, representing a CAGR of approximately 17.0%. According to Frost & Sullivan, the global inflight Asian movie distribution market increased from approximately HK\$0.6 billion in 2013 to HK\$1.4 billion in 2017, representing a CAGR of approximately 22.8%. Going forward, the market is likely to follow the growing trend as a result of the increasing demand for inflight entertainment driven by the developing airline business. The spending on Asian movies by airline companies is likely to grow at a CAGR of approximately 15.6%, reaching HK\$2.8 billion in 2022.

During the Track Record Period, our Group had distributed the inflight entertainment rights for four titles of animated media content to inflight entertainment companies. As live-action feature films are the mainstream content for the inflight entertainment market, our Group intends to utilise part of the net proceeds from the Global Offering to obtain inflight entertainment rights for live-action feature films. Leveraging our Directors' connections in the media content distribution industry and our reputation and experience, our Directors believe that we will be able to capture the market demand of the inflight entertainment market. For further details regarding our reasons and plans for increasing our market share in our Media Content Distribution Business and expanding our markets in the Southeast Asian countries, see "Business – Our business strategies – Enrich and expand our media content offerings to stay abreast of evolving viewer preferences" and "Business – Our business strategies – Enhance our position in existing markets and strategically expand into other selected markets" in this prospectus, respectively;

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

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Report. By obtaining IP rights for use in conjunction with their products or services, the licensees can use the IP as a marketing tool to shorten the time span for market acceptance and recognition and hence achieve better business results. The increasing demand from downstream licensees is expected to further drive the entertainment and character IP licensing market. Although our Group engaged in both of the Media Content Distribution Business and the Brand Licensing Business historically, our Group mainly focussed on the development of our Media Content Distribution Business which contributed a significant portion to our revenue during the Track Record Period. In August 2000, MAIL (which was not part of our Group back then) was incorporated and jointly held by Ms. Lovinia Chiu and her sister, namely Ms. Noletta Chiu to engage in brand licensing business. MAIL acts as the licensee/agent for various internationally renowned brands such as “Le Petit Prince”, “MONOPOLY”, “Moomin”, “Mr. Men Little Miss”, “PJ Masks” and “TRANSFORMERS”. Having realised the business potential of MAIL and in order to gain complete control over MAIL, in August 2018, Ms. Lovinia Chiu, our Controlling Shareholder, acquired the remaining 50% shareholding interest in MAIL from Ms. Noletta Chiu and transferred her entire interests in MAIL to our Group. As a result of the MAIL Acquisition, our Group, through MAIL, has become involved in the licensing of the internationally renowned brands licensed to MAIL in addition to the existing brands which were licensed to the some of our other subsidiaries. As such, our Directors expect that we would be able to further enhance the growth of our Brand Licensing Business through the completion of the MAIL Acquisition.

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

- **raise funds to meet our capital requirements for future growth and expansion plans and gain access to capital market:** Given the continuing expansion plans of our Group, our Directors believe that there is a genuine funding need to support our expansion plans by way of the Listing. As at 31 October 2018, our Group had cash and cash equivalent of approximately HK\$167.1 million. On 23 November 2018, our subsidiaries, namely MEL and MAIL, declared interim dividends of HK\$72.5 million to their then shareholder and the payment of which was made on 25 March 2019. Based on our Directors’ estimation, our Group incur approximately HK\$31.8 million per month on average to maintain our Group’s business operation in order to settle our billed trade payables and support our operating costs. Our Group experiences a mismatch in timing between receipt of payments from our customers

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and settlement of our advance payments/minimum guarantee payments due to our media content licensors from time to time. We have substantial cash requirements for funding our business operations as we are normally required to make advance payment or pay minimum guarantee to our media content licensors in order to obtain media content licensing rights. As a result, a substantial amount of advance cash payment is usually required to be made to our licensors before we generate any revenue from our customers. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, we were required to pay a total amount of minimum guarantee of approximately HK\$76.0 million, HK\$132.0 million, HK\$140.7 million and HK\$169.0 million to our media content licensors. Therefore it is considered reasonable and necessary for our Group to maintain a sufficient level of cash to maintain our business operation and finance our proposed expansion plans. Based on the above, for the seven months ended 31 October 2018, we are required to pay a total amount of minimum guarantee of approximately HK\$169.0 million, our Directors considered that without the net proceeds from the Global Offering, our current bank balances and cash may not be sufficient to support our business operations in particular for payments of minimum guarantee and the minimum guarantee required in relation to our proposed expansion plans described in this prospectus. Our Directors have also taken into account the following factors and considered that it is in the interest of our Group and our Shareholders as a whole to proceed with equity financing instead of debt financing:

- (i) To support future business development and to cover for contingencies, our Directors believe that we should maintain a sufficient level of bank balances and cash. Although our Group had historically been able to grow our business and fund the credit mismatch using internal resources, our Directors consider that our financial performance and liquidity may be negatively affected due to principal and interest payments if we proceed with debt financing for our business operations and expansion plans.

- (ii) As our Group does not own real property of substantial value or significant assets, we do not have significant amount of fixed assets which can be pledged as collaterals. Our Group may be able to obtain bank borrowings by using accounts receivable factoring. However, a majority of our Group's accounts receivable are due from our customers located in the PRC and the financial costs of factoring in the PRC may be higher than in Hong Kong, it would also be difficult for us to use the funds obtained from PRC banks/financial institutions to finance our operations in Hong Kong given that RMB may not be readily convertible into other currencies. Our Directors further consider that our Company, without a listing status and a significant amount of assets to be pledged, would have difficulty in obtaining bank borrowings for our business expansion, or even if we are able to obtain such bank borrowings, we might not be able to obtain the bank borrowings at commercially favourable terms or might not be granted with a substantial amount of bank loan. Our Directors are of the view that debt financing might also expose us to restrictive covenants on

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our Group's future fund raising exercises and other financial and operational matters. Therefore, our Group had not explored bank borrowings to finance its expansion plans during the Track Record Period.

- (iii) The Listing, which allows us to gain access to the capital market for fund raising, will assist our future business development and strengthen our competitiveness; following such, we will be able to use secondary fund raising of which the related costs are expected to be lower than the Listing expenses for our future expansion plans and when necessary, through the issuance of both equity and/or debt securities. Our Directors believe that after the Listing, we would be in a better position to negotiate with banks and financial institutions and obtain more favourable terms if we are a listed company with an enlarged capital base.
- **enhance our profile, visibility and our market presence:** we believe that both our customers (including online media platforms and media networks, as well as manufacturers and shopping malls) and suppliers (including renowned media content licensors and brand licensors) prefer working with business partners which are listed companies given their reputation, corporate governance and listing status. By way of Listing, we can elevate our corporate image and status and strengthen confidence of our customers and suppliers, which in turn provides a more level playing field when we explore new business opportunities with our customers and suppliers. Moreover, the additional financial resources from the Listing will enable us to further consolidate our financial strength and enhance our capacity and efficiency in serving customers. Our Directors believe that this can fuel our business growth in a much faster pace and improve our market competitiveness;
 - **enhance our operational efficiency and corporate governance:** we believe that our operational efficiency and corporate governance will be improved through compliance with rigorous disclosure standards which would further enhance our internal control and risk management; and
 - **enhance employee incentive and commitment:** human resources and talents are vital to our business. The status of being a listed company can help us strengthen our manpower and attract, recruit and retain our valued management personnel and skilled employees and provide additional incentive.

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

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USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$0.49 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$205.2 million, assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- (1) approximately 54.8%, or HK\$112.4 million, will be used to strengthen our media content portfolio in our Media Content Distribution Business. We experience a mismatch in timing between receipt of payments from our customers and settlement of our advance payment/minimum guarantee payments due to our media content licensors from time to time. Pursuant to the content distribution agreements between our Group and the media content licensors, we are required to make advance payment/minimum guarantee payment to them upon signing of the agreements or at the early stages after commencement of the licensing periods prior to our Group generating royalty income. We had historically met our substantial cash requirements by relying principally on cash flows from operations and interest-free borrowings from our existing Shareholders. In order to strengthen our business, we intend to use the aforementioned amount to settle the advance payment/minimum guarantee payment for obtaining licensing rights of the following media content in addition to the licensing rights obtained in the usual course of our business. As disclosed in “Business – Sales and marketing – Pricing policy” in this prospectus, we have an internal grading system to assess the amount of minimum guarantee to be paid to media content licensors. We take into account factors such as the reputation of the production studios/media companies, the number of episodes contained in the title of the media content, the quality of the media content, the type of media content, the reception of the media content and our relationships with the media content licensors in such assessment. Based on our Directors’ past experience, the minimum guarantee for a title of media content is negotiated on a contract-by-contract basis. As such, the minimum guarantee we paid to licensors historically varied widely depending on the factors above. Our in-house research teams in the PRC, Taiwan and Hong Kong generally review the media content well ahead of the anticipated release schedule, conduct market research and communicate with our suppliers regularly regarding the media content to be distributed.

The average minimum guarantee per title of media content obtained by our Group during the Track Record Period was approximately HK\$1.2 million, HK\$2.1 million, HK\$2.2 million and HK\$2.3 million, respectively. The average minimum guarantee per title for our top five revenue-generating media content during the Track Record Period was approximately HK\$6.1 million, HK\$8.4 million, HK\$12.4 million and HK\$11.2 million, respectively.

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During the Track Record Period, the average minimum guarantee per title we were required to pay for our top five revenue-generating titles of Japanese animation series were approximately HK\$6.8 million, HK\$14.5 million, HK\$11.4 million and HK\$13.9 million, respectively. The licensing rights of these titles covered more than 40 countries/regions in the greater Asia Pacific region including the PRC, Hong Kong, Taiwan, Thailand, the Philippines, Singapore, Malaysia and Vietnam and the number of episodes generally ranged from 10 to 15. Our Directors believe that these top five titles were highly-sought-after by distributors of media content and operators of online media platforms and media networks because of the title's anticipated popularity among viewers and production quality of the title. As such, we consider that it is reasonable to allocate approximately HK\$43.1 million of the net proceeds from the Global Offering to pay for the minimum guarantees for obtaining licensing rights for the same countries/regions for a total of three high quality titles of approximately 10 to 15 episodes of Japanese animation series which we anticipate will be highly sought-after and popular. As at the Latest Practicable Date, our Group had not identified any Japanese animation series for which the licensing rights we intend to obtain.

During the Track Record Period, our Group was required to pay an average amount of minimum guarantee per title of approximately HK\$72,000, HK\$136,000, HK\$1.9 million and HK\$958,000, respectively, for obtaining licensing rights for Chinese/Asian drama series covering limited number of territories within Southeast Asia such as Malaysia, Singapore, Vietnam, the Philippines, Republic of Korea, Taiwan and Thailand. The number of episodes of these Chinese/Asian drama series ranged from seven to 54. Given the proven market acceptance of the Chinese/Asian drama series in those territories, we intend to obtain the licensing right of a Chinese/Asian drama series with a larger number of episodes ranging from approximately 50 to 70 and covering an expanded geographical area within the greater Asia Pacific region, including the PRC and Hong Kong. According to the Frost & Sullivan Report, the minimum guarantee for obtaining the licensing rights of a Chinese/Asian drama series is highly influenced by the popularity and geographical distribution coverage (such as the PRC or non-PRC). The amount of minimum guarantee covering Asian markets (including the PRC, Southeast Asia and other Asian countries) generally ranges from HK\$0.3 million to HK\$0.5 million for one episode. Based on our Group' industry knowledge and the above, we estimated that the minimum guarantee required for obtaining the licensing rights for a Chinese/Asian drama series of high production value covering more territories in the Asia Pacific Region would be approximately HK\$29.2 million and we intend to allocate such sum to obtain the licensing right for a Chinese/Asian drama series. As at the Latest Practicable Date, our Group had not identified any Chinese/Asian drama series for which the licensing rights we intend to obtain.

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During the Track Record Period, our Group was required to pay an average amount of minimum guarantee of approximately nil, HK\$69,000, HK\$156,000 and HK\$813,000 per title, respectively, for obtaining the licensing rights for animated feature films. A majority of these licensing rights only covered a limited number of territories in the Asia Pacific region including Hong Kong, Macau, the Philippines, Taiwan, Thailand and other smaller countries in the region during the Track Record Period. Our Directors intend to allocate a total of approximately HK\$4.7 million of the net proceeds from the Global Offering for obtaining the licensing rights for three titles of animated feature films covering more territories such as the PRC, Malaysia, Vietnam and Singapore. As at the Latest Practicable Date, our Group had not identified any animated feature films for which the licensing rights we intend to obtain.

During the Track Record Period, our Group was required to pay an average amount of minimum guarantee of approximately HK\$429,000 per title for obtaining the theatrical rights in Hong Kong and Macau for two live-action feature films. Based on the above and our management team's previous experience and industry knowledge, we estimate that the minimum guarantee required for obtaining the licensing right for a live-action feature film of high production value covering more territories in the Asia Pacific region including but not limited to the PRC, Thailand, the Philippines, Singapore, Malaysia, Vietnam, Cambodia, Indonesia and Taiwan, would be approximately HK\$22.5 million. Such estimated amount of minimum guarantee is substantially higher than the average amount of minimum guarantee we paid during the Track Record Period as we expect the licensing right to be obtained will cover the PRC in addition to other territories. According to the Frost & Sullivan Report, the minimum guarantee required for obtaining the licensing right of a live-action feature film is determined based on a number of factors such as the bargaining power of the licensee, the actors or actresses involved in the live-action feature film, the attractiveness of the storyline and covering regions of the licensing right. In general, the minimum guarantee required for obtaining the licensing rights of a live-action feature film distributed in the Asian markets (including the PRC) ranges from HK\$20 million to HK\$30 million. On this basis, we intend to allocate a total of approximately HK\$22.4 million of the net proceeds from the Global Offering to obtain the licensing rights for one live-action feature films. As at the Latest Practicable Date, our Group had not identified any live-action feature films for which licensing rights we intend to obtain.

During the Track Record Period, our Group distributed Japanese animation series to inflight entertainment service providers. Based on our previous experience and our understanding of the latest industry trends, the inflight entertainment market has a higher demand for live-action feature films. See "Industry overview – Market size of the inflight Asian movie distribution market" in this prospectus for further details regarding the market. After the Track Record Period and up to the Latest Practicable Date, we acquired inflight entertainment rights of four live-action feature films which required an average minimum guarantee of approximately HK\$0.8 million per

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title. We estimate that the minimum guarantee amount required for obtaining an inflight entertainment right of a live-action feature film would be approximately HK\$0.7 million. As such, we intend to allocate a total of HK\$13.0 million of the net proceeds from the Global Offering to obtain the inflight entertainment rights for 20 live-action feature films. As at the Latest Practicable Date, our Group had not identified any live-action feature films for which the inflight entertainment rights we intend to obtain.

We intend to license our newly acquired media content to existing customers and new customers in the PRC, Southeast Asia as well as other Asian countries. Such new customers may include customers in the VOD market and customers in other media platforms. We believe our experience in extending our proprietary “Ani-One” brand in Malaysia and Brunei will help us penetrate the VOD market in Southeast Asia. Leveraging our Directors’ connections in the media content distribution industry, our Group’s existing connections with online media platforms and media networks, our reputation and experience and the knowledge and expertise to be brought in by the newly recruited staff, our Directors believe that we have the customer connections and expertise to distribute the media content in the new territories that our Group intends to explore.

In allocating the net proceeds from the Global Offering, such minimum guarantee amount was estimated having regards to the aforementioned matters with reference to the amount of minimum guarantee required to be paid by our Group during the Track Record Period, where applicable:

Categories	Number of titles (not more than)
Japanese animation series	3
Chinese/Asian drama series	1
Animated feature films	3
Live-action feature films	1
Inflight entertainment content (such as live-action feature films)	20
Total	28

- (2) approximately 17.5%, or HK\$36.0 million, will be used to expand our Brand Licensing Business. As disclosed in “Business – Sales and marketing – Pricing policy”, we negotiate with our brand licensors to set the amount of minimum guarantees, if any, and the royalty rate based on forecast of sales and estimated demand conducted by our own team over the brands.

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Leveraging our experience in the Brand Licensing Business, our Group plans to extend our brand offering from character brands to cover a series of international lifestyle, fashion and character brands and Hong Kong brands. Lifestyle brands refer to brands of organisations that promote science and technological advancement, environment conservation or healthy lifestyle. Fashion brands refer to brands involving fashion labels or fashion names. Hong Kong brands refer to brands including mainly character brands that were created by local Hong Kong artists/designers. We intend to enter into brand sub-licensing arrangements with sub-licensees such as manufacturers/distributors of different product categories including toys, apparels and footwear, health and beauty products, food and beverage, and other sub-licensees for events, theme parks, shopping malls, cafe and restaurants in the Asia Pacific region which is consistent with our current business operations. According to Frost and Sullivan Report and based on our experience and industry knowledge, the minimum guarantee amount for brands is negotiated on a contract-by-contract basis depending on the bargaining power of the licensees or the years of their business relationship. Therefore, minimum guarantee may be required by internationally renowned brand licensors in order to secure the licence rights for these international brands. According to the Frost & Sullivan Report, the brand licensors may consider lowering the royalty rates offered to the licensees if the licensees are required to pay minimum guarantee. In some instances, the brand licensors may lower the royalty rates by up to 20% (for example, for illustrative purpose only, the brand licensors may lower the royalty rate from 60% to 40%) depending on, among others, the amount of minimum guarantee the licensees are required to pay, the estimated gross revenue the licensees may generate during the licensing periods and the royalty rates offered by the brand licensors in an event of no minimum guarantee being required from the licensees. On the other hand, some Hong Kong brand licensors may also require its licensees to pay minimum guarantee in order to support their brand development and operations, given that they have considerably less exposure than internationally renowned brands. For the three years ended 31 March 2018 and the seven months ended 31 October 2018, we were not required to pay any minimum guarantee to our brand licensors under our Brand Licensing Business. During the Track Record Period, certain brand licensors indicated that minimum guarantee might be required for obtaining licensing rights of their brands during the negotiation process. Nevertheless, we had not obtained the licensed rights of such brands because we mainly focused on the development of our Media Content Distribution Business. We have already acquired MAIL in August 2018, which involved in the licensing of internationally renowned brands in addition to the existing brands of our Group. Prior to the MAIL Acquisition, MAIL had paid minimum guarantee for obtaining licensing rights of certain brands. To further enhance the growth of our Group, we intend to devote more capital resources to expand our Brand Licensing Business.

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Leveraging our experience from our Brand Licensing Business, our Directors are of view that we have the relevant knowledge and experience to handle the lifestyle brands, fashion brands and Hong Kong brands to be obtained given (i) the similarity in the management strategies of such new brands and our Group's existing brands such as the sales and marketing activities to be held and (ii) the knowledge and expertise to be brought in by our newly recruited staff.

As at the Latest Practicable Date, our Group had not identified any brand which licensing rights we intend to obtain. The net proceeds from the Global Offering allocation is made in accordance with (i) our understanding with the brand licensors, (ii) our previous negotiations with certain brand licensors who indicated that minimum guarantee might be required for obtaining licensing rights of their brands, and (iii) our experience in the industry:

- (i) approximately 11.7%, or HK\$24.0 million, will be used for settlement of our advance payment/minimum guarantee payments due to brand licensors. In order to expand our brand offerings, we intend to use the aforementioned amount to obtain licensing rights of the following:

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

- (ii) approximately 3.9%, or HK\$8.0 million, will be used for cooperating with different entities such as shopping malls, event venues and event organisers for pop up stores and obtaining master event licensing rights for our existing and new brands;

- (iii) approximately 1.9%, or HK\$4.0 million, will be used for marketing expenses of new Hong Kong brands.

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- (3) approximately 6.9%, or HK\$14.2 million, will be used for relocation and renovation of our Hong Kong office and upgrading our information technology equipment to facilitate our expansion.

The table below sets out details of our estimated costs for relocating our office in Hong Kong:–

Details for relocating our office in Hong Kong	Estimated costs
	<i>(HK\$ million)</i>
Rental costs of an office with a GFA not exceeding 12,000 sq.ft. for the first 12 months	5.8
Fitting-out costs	2.5
Furniture and office equipment	3.0
Information technology network and database system	2.0
Upgrade of computers and other equipment for additional staff and replacement of obsolete ones	0.9
 Total:	 14.2

Our existing Hong Kong office has a GFA of approximately 5,000 sq.ft. which accommodated approximately 44 staff as at the Latest Practicable Date. As our business continues to grow, we plan to relocate our Hong Kong office to improve the working environment of our employees and accommodate the expansion of our team. Our Group intends to increase the number of conference rooms from two medium-sized conference rooms to four conference rooms (including one large board room and three small to medium-sized conference rooms). We also intend to increase the space per staff and install more shared facilities for our staff in order to improve the working environment of our employees. Additional space is also required to build an IT server room and individual rooms for our management team.

- (4) approximately 9.5%, or HK\$19.5 million, will be used for co-investment in the production of media content. The said amount will be used to invest in not more than two live-action featured films, two animation series and one Chinese live-action drama series. Riding on the success of our Media Content Distribution Business, our Group first started to co-invest in a live-action TV drama with a Taiwanese company in October 2010. During the Track Record Period, we made a total investment of HK\$18.4 million in four Japanese animation series, namely “Seisen CERBERUS”, “Lost Song”, “HaneBad!” and “RErideD – Derrida, who leaps through time –” and received a total investment income of HK\$3.8 million and generated a total distribution income of HK\$33.2 million from these series. In addition, we have obtained adaptation rights of certain published materials, animation series and drama series to produce live-action versions or a re-make of such content which may be used in our future productions. Our Group intends to increase the amount of our

FUTURE PLANS AND USE OF PROCEEDS

investment in the production of media content in view of the various benefits our Group may enjoy from participating in the investment based on our previous experience such as, (a) we may be granted the pioneer or exclusive rights to distribute the media content and other rights in certain territories without making any payment of minimum guarantee; (b) it may further strengthen our connections and enhance our relationships with the production studios/media companies which will benefit our Media Content Distribution Business in a long run; and (c) we will share investment income as well as generate distribution income from our investment in the production and distribution of media content. Our Directors believe that by leveraging our long-established connections with our media content licensors, our experience and reputation in this industry and our previous experience in investment in the production of media content, we will be able to capture the growth in the demand for media content by making investment in different production projects. As at the Latest Practicable Date, our Group had not identified any target for investment;

- (5) approximately 4.7%, or HK\$9.6 million, will be used for expanding our media content team, brand licensing team and expanding our workforce and enhancing back office support in our headquarters in Hong Kong and overseas offices. The said amount will be used to pay for the salary for the additional manpower of not more than 26 staff in the first year of their recruitment.

As confirmed by our Directors, due to limited capital resources, we had been cautious in expanding our workforce despite our business growth during the Track Record Period. During the Track Record Period, our existing staff devoted substantial time and effort in the distribution of Japanese animation series in the PRC market to online media platforms and media networks and we only offered a limited number of media content of other categories such as Chinese/Asian drama series, animated feature films, live-action feature films, inflight entertainment content. Our Directors also consider that we had not fully explored the existing licensing rights we have obtained during the Track Record Period and intend to expand our geographical distribution coverage and increase our market penetration in the VOD market. In anticipation of the continuous increase in demand for media content, we may require more staff to (i) facilitate the negotiation and execution processes of our increasing Japanese animation offerings; (ii) further expand our geographical distribution coverage by obtaining media content from other territories such as the PRC, Republic of Korea and other Asian countries; and (iii) diversify our media content offerings on Chinese/Asian drama series and live-action feature films as well as inflight entertainment content. We will also require additional staff to facilitate our market penetration in the PRC and Southeast Asia market. For our Brand Licensing Business, our existing staff only focused on the licensing of character brands. Our Group plans to extend our brand offerings from character brands to cover a series of international lifestyle, fashion and character brands and Hong Kong brands, which may require additional staff to handle such expansion. We will require additional manpower to further support our expansion in the PRC

FUTURE PLANS AND USE OF PROCEEDS

market, and broaden our geographic coverage and media content/brand offering to capture the anticipated growth of the markets in which we operate our business. We believe that the hiring of 11 additional staff for our Media Content Distribution Business and 10 additional staff for our Brand Licensing Business could help us further expand in the PRC markets, explore new markets, broaden our media content/brand offering and can assist our business expansion. With our continuing business growth, the proposed expansion of our staff could help us identify new partners in the PRC and the Southeast Asian markets, explore business opportunities in the VOD market, provide various support to and lessen the burden of our current staff. The new staff may also help our Group identify different types of media content/brands to broaden our offerings. To support our expansion plans and to cope with the potential increase in workload as a result, our Directors also consider that it is necessary to enhance our organisation structure by identifying talents to take up new management roles and hiring information technology, legal, administration and human resources staff.

The tables below set out details of our proposed staff recruitment:

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

FUTURE PLANS AND USE OF PROCEEDS

<u>Expected role</u>	<u>Function</u>	<u>Number of staff (not more than)</u>
<i>Brand licensing team</i>		
Licensing management	Identify new business partners in the PRC and Southeast Asian markets and explore event business opportunities	2
Sales	Perform sales function	3
Acquisition	Obtain new licensing rights in different regions	2
Design	Provide design services	1
Administration	Provide administrative support	1
Marketing	Promote our business in the Southeast Asian markets	1
	Subtotal:	<u>10</u>
<i>Supporting team</i>		
Information technology	Provide information technology support	1
Legal	Perform legal advisory role and review legal documents	1
Administration and human resources	Provide administrative support and deal with human resource matters	3
	Subtotal:	<u>5</u>
	Total:	<u><u>26</u></u>

FUTURE PLANS AND USE OF PROCEEDS

The table below sets out the proposed location where the new staff will be stationed:

Location	Number of new staff (not more than)
Taiwan	2
Shanghai	3
Singapore	1
Hong Kong (<i>Note</i>)	<u>20</u>
Total	<u><u>26</u></u>

Note: Some of our new staff to be stationed in Hong Kong will be responsible for handling our business in Hong Kong as well as the PRC and Southeast Asian markets.

- (6) approximately 6.6%, or HK\$13.5 million, will be used for our general working capital purposes.

If the Offer Price is set at HK\$0.53 per Offer Share (being the high-end of the indicative Offer Price), HK\$0.45 per Offer Share (being the low-end of the indicative Offer Price) or any price in between, we intend to apply the net proceeds from the Global Offering to the above purposes on a pro-rata basis. If the Over-allotment Option is exercised in full or in part, 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.

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

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

IMPLEMENTATION PLANS

In pursuance of our business objectives, the implementation plans of our Group are set out below. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in “Bases and assumptions” below in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set out in “Risk factors” in this prospectus. Therefore, there is no assurance that our Group’s business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$0.49 per Share, being the mid-point of the indicative range of the Offer Price between HK\$0.45 and HK\$0.53 per Share, and assuming the Over-allotment Option is not exercised), will be approximately HK\$205.2 million. Our Directors currently intend to apply the net proceeds from the Global Offering as follows:

(a) From the Listing Date to 30 September 2019

<u>Business strategies</u>	<u>Implementation activities</u>	Approximate amounts of net proceeds from the Global Offering to be applied <i>HK\$'million</i>
Strengthen our media content portfolio in our Media Content Distribution Business	Settle the advance payments/minimum guarantee payments for obtaining licensing rights for one animated feature film and four inflight entertainment rights	4.2
Expand our Brand Licensing Business	Settle the advance payments/minimum guarantee payments due to brand licensors for not more than two international lifestyle, fashion or character brands, four Hong Kong brands and obtaining additional exploitation rights for one existing brand	14.0
	Cooperate with different parties such as shopping malls, event venues and event organisers for setting up pop-up stores by obtaining master event licensing rights from our existing and new brands	8.0
Relocate and carry out renovation for our Hong Kong office and upgrade our information technology equipment	Settle part of the rental costs for our new office	2.9

FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategies</u>	<u>Implementation activities</u>	Approximate amounts of net proceeds from the Global Offering to be applied
		<i>HK\$'million</i>
	Settle fitting-out costs and acquire furniture and office equipment for new office	5.5
	Purchase information technology network and database system	2.0
	Upgrade of computers and purchase of other equipment for additional staff and replacement	0.4
Co-invest in the production of media contents	Settle part of the production costs for co-investing in two live-action feature films, two Japanese animation series and one Chinese live-action drama series	7.9
Expand our workforce	Recruit not more than 11 staff for our media content team which may include one management, three acquisition, two sales, three marketing and business development, one design, one project coordination personnel	1.8
	Recruit not more than 10 staff for our brand licensing team which may include two licensing management, three sales, two acquisition, one design, one administration and one marketing personnel	1.8
	Recruit not more than five staff for our supporting team which may include one information technology, one legal and three administration and human resources personnel	1.2
	Total	49.7

FUTURE PLANS AND USE OF PROCEEDS

(b) From 1 October 2019 to 31 March 2020

<u>Business strategies</u>	<u>Implementation activities</u>	Approximate amounts of net proceeds from the Global Offering to be applied <i>HK\$'million</i>
Strengthen our media content portfolio in our Media Content Distribution Business	Settle the advance payments/minimum guarantee payments for obtaining licensing rights of approximately	
	– three Japanese animation series, two animated feature films and 16 inflight entertainment rights	56.6
	– one Chinese/Asian drama series – one live-action feature films	29.2 22.4
Expand our Brand Licensing Business	Settle the advance payments/minimum guarantee payments due to brand licensors for not more than two international lifestyle, fashion or character brands, one Hong Kong brands and acquire one additional exploitation rights from our existing brands	10.0
	Settle marketing expenses	4.0
Relocate and carry out renovation for our Hong Kong office and upgrade our information technology equipment	Settle part of the rental costs for our new office	2.9
	Continue to upgrade computers and purchase of other equipment for additional staff and replacement	0.5
Co-invest in the production of media content	Settle the remaining production costs for co-investing in two live-action feature films, two animation series and one Chinese live-action drama series	11.6
Expand our workforce	Continue to evaluate the performance of the newly recruited staff and assess our need to recruit additional staff in view of business development	4.8
	Total	142.0

FUTURE PLANS AND USE OF PROCEEDS

(c) Others

The remaining balance of the net proceeds of approximately HK\$13.5 million will be used for our general working capital.

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan to 31 March 2020:

- (a) our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans related;
- (b) there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong or in any other places in which our Group carries on its business or will carry on its business;
- (c) there will be no material change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors;
- (d) there will be no material change in the existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- (e) there will be no change in the effectiveness of the licenses, permits and qualifications obtained by our Group;
- (f) our Group will be able to retain key staff in the management and the main operational departments;
- (g) our Group will be able to retain our customers and suppliers;
- (h) there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- (i) our Group will not be materially affected by the risk factors as set out under "Risk factors" in this prospectus.

UNDERWRITING

HONG KONG UNDERWRITERS

Guotai Junan Securities (Hong Kong) Limited
China Industrial Securities International Capital Limited
Ever-Long Securities Company Limited
Tongfang Securities Limited

INTERNATIONAL UNDERWRITERS

Guotai Junan Securities (Hong Kong) Limited
China Industrial Securities International Capital Limited
Ever-Long Securities Company Limited
Tongfang Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 49,800,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- (a) the Listing Committee granting or agreeing to the grant of, and permission to deal in our Shares in issue and to be issued as mentioned in this prospectus and such listing of and permission to deal in our Shares not subsequently having been revoked prior to the commencement of dealings in our Shares on the Stock Exchange; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement,

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Company from the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) that any statement contained in any of this prospectus, the Application Forms, the formal notice, the roadshow materials (collectively, the “**Offer Documents**”) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters), fair and honest and based on reasonable assumptions, with reference to the facts and circumstances then subsisting, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom; or
 - (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of the Sole Sponsor, the Sole Global Coordinator or any of the Underwriters); or
 - (iv) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of our Group; or

UNDERWRITING

- (v) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or
- (vi) the approval by the Listing Committee of the listing of, and permission to deal in, our Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) our Company withdraws any of the Relevant Documents or the Global Offering; or
- (viii) any person (other than the Sole Sponsor, the Sole Global Coordinator or the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (ix) that a petition or an order is presented for the winding-up or liquidation of any member of our Group (each a “**Group Company**”) or any Group Company 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 Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (x) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors of our Company as set out in “Directors and senior management” in this prospectus; or

UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) in or affecting any of the Specific Jurisdictions (as defined below); or
 - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Specific Jurisdictions; or
 - (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or
 - (iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any public, regulatory, taxing, administrative or governmental, agency or authority, any self-regulatory organisation or any securities exchange authority, other authority and any court at the national, provincial, municipal or local level of the jurisdictions in which our Company is incorporated or our Shares are to be listed or our Group's business is carried out or our Group's asset is held, including (without limitation) the PRC and Hong Kong (as the case may be) (the "**Law(s)**"), or any change or development involving a prospective change in existing Laws; or any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Global Offering (the "**Specific Jurisdictions**"); or

UNDERWRITING

- (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the RMB against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in our Shares; or
- (viii) save as disclosed in this prospectus, any material litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or
- (ix) any of the Directors being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (x) our chairman or chief executive officer of our Company vacating his or her office; or
- (xi) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action which may have an impact on the suitability of a Director; or
- (xii) save as disclosed in this prospectus, a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or
- (xiii) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the additional Shares that may be issued upon the exercise of the Over-allotment Option pursuant to the terms of the Global Offering; or
- (xiv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

UNDERWRITING

- (xv) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of our Company or our Group; or
- (b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or
- (d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

UNDERWRITING

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, it/he/she shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his/her shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this prospectus (the “**Relevant Shares**”); or
- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she will cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its/his/her shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

- (a) when it/he/she pledges or charges any securities in our Company beneficially owned by it/him/her in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and
- (b) when it/he/she receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by it/him/her will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERWRITING

Undertakings given to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other 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, pledge, 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 a pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances 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, any Shares or other securities of our Company; or repurchase any Shares or other securities of our Company; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our 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 other securities of our Company; or
- (c) enter into any transaction with the same economic effect as any transactions specified in paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

UNDERWRITING

Our Company has also undertaken that we will not, and will procure each other Group Company not to, enter into any of the transactions specified in paragraphs (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”).

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Sole Global Coordinator and the other Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (i) at any time during the First Six-Month Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/he/she (together, the “**Controlled Entities**”) shall not,
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell 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, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (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) beneficially owned by it/him/her directly or indirectly through its Controlled Entities (the “**Relevant Securities**”); or
 - (b) 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 Relevant Securities; or
 - (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or

UNDERWRITING

- (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

- (ii) at any time during the Second Six-Month Period, it/he/she shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in sub-paragraphs (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he/she would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be “controlling shareholders” (as defined in the Listing Rules) of our Company;

- (iii) in the event that it/he/she enters into any of the transactions specified in sub-paragraphs (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company; and

- (iv) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he/she will:

- (i) when it/he/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

- (ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

UNDERWRITING

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other Group Company or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other Group Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Placing

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. Please see "Structure of the Global Offering – The International Placing" in this prospectus for further details.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) from the date of the Price Determination Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 74,700,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Placing, if any.

UNDERWRITING

Total commission and expenses

We will pay the Sole Global Coordinator (for itself and on behalf of the other Underwriters) an underwriting commission of 3% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Hong Kong Underwriters will meet all (if any) sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters, but not the Hong Kong Underwriters.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$0.49 (being the mid-point of the stated range of the Offer Price between HK\$0.45 and HK\$0.53), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to HK\$38.8 million in total and are payable by us.

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain actions and losses which they may suffer, including actions and losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose 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 authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 49,800,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described below in “The Hong Kong Public Offering” in this section; and
- the International Placing of initially 448,200,000 Offer Shares (subject to adjustments and the Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for the International Placing Shares under the International Placing,

but may not do both.

The 498,000,000 Offer Shares in the Global Offering will represent 25% of our enlarged share capital immediately after the completion of the Global Offering and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Global Offering and the Capitalisation Issue.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 49,800,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Offer Shares offered under the Hong Kong Public Offering will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

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, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “Conditions of the Global Offering” below in this section.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based 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. We may, if necessary, allocate the Hong Kong Offer Shares on the basis 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.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- **Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding brokerage fees, SFC transaction levy and Stock Exchange trading fee payable); and
- **Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage fees, SFC 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 the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only 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 under the Hong Kong Public Offering and any application for more than 24,900,000 Hong Kong Offer Shares will be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation at the discretion of the Sole Global Coordinator and in accordance with HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, subject to the following:

- (a) where the International Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 49,800,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 99,600,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing in accordance with the clawback requirements set out in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 149,400,000 Offer Shares (in the case of (1)), 199,200,000 Offer Shares (in the case of (2)) and 249,000,000 Offer Shares (in the case of (3)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;
- (b) where the International Placing Shares are undersubscribed:
 - (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

STRUCTURE OF THE GLOBAL OFFERING

- (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 49,800,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 99,600,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price Range (i.e. HK\$0.45 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has 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 Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, maximum price of HK\$0.53 per Offer Share in addition to brokerage fees of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% on each Offer Share, amounting to a total of HK\$2,676.70 for one board lot of 5,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in "Pricing and allocation" in this section, is less than the maximum price of HK\$0.53 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. See "How to apply for the Hong Kong Offer Shares" in this prospectus for further details.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

We will be initially offering for subscription under the International Placing 448,200,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Offer Shares offered under the International Placing will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

Allocation

The International Placing Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our 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. Prospective professional, institutional and other investors will be required to specify the number of the International Placing Shares under the International Placing 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 the Price Determination Date.

Allocation of the International Placing Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, 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 International Placing 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 Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described above in “The Hong Kong Public Offering – Reallocation” or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

In accordance with HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following the reallocation shall be not more than double of the initial allocation to the Hong Kong Public Offering (i.e. 99,600,000 Offer Shares).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date within 30 days from the last date for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to 74,700,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing to cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.6% of our enlarged issued share capital immediately following the completion of the Global Offering and the Capitalisation Issue. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Stabilisation action permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, 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 our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any 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 (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on Sunday, 9 June 2019, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

STRUCTURE OF THE GLOBAL OFFERING

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to enter into an agreement with RLA, a Controlling Shareholder of our Company, to borrow, whether on its own or through its affiliates, up to 74,700,000 Shares, representing 15% of the total number of the Offer Shares initially available for the Global Offering. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from RLA by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to RLA or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no payment will be made to RLA by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 10 May 2019, and in any event, not later than Friday, 17 May 2019.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price will not be more than HK\$0.53 per Offer Share and is expected to be not less than HK\$0.45 per Offer Share, unless otherwise announced, as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum price of HK\$0.53 per Offer Share, plus brokerage fees of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% fee, amounting to a total of HK\$2,676.70 for one board lot of 5,000 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$0.53, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see “How to apply for the Hong Kong Offer Shares” in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing 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 Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price Range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice on our website at www.medialinkgroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk (the contents of the website do not form a part of this prospectus). Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price Range is reduced, applicants 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.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indication of interest in the International Placing, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in “How to apply for the Hong Kong Offer Shares – 11. Publication of results” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- the Offer Price having been agreed between us and the Sole Global Coordinator (on behalf the Underwriters);
- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming 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 Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th date after the date of this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Friday, 17 May 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its 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. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on our website at www.medialinkgrouppltd.com.hk and the website of the Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in “How to Apply for the Hong Kong Offer Shares – 13. Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in “Underwriting” in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 21 May 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 21 May 2019.

The Shares will be traded in board lots of 5,000 Shares each.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

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 Global Coordinator, the **HK eIPO White Form** 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 on a **WHITE** or **YELLOW** Application Form 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 under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** 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 its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to 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, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 April 2019 until 12:00 noon on Friday, 10 May 2019 from:

- (i) any of the following offices of the Underwriters:

Guotai Junan Securities (Hong Kong) Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

China Industrial Securities International Capital Limited

32/F & Room 2503-2506
Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan, Hong Kong

Ever-Long Securities Company Limited

Rooms 1101-02, 1111-12
Wing On Centre
111 Connaught Road Central
Hong Kong

Tongfang Securities Limited

Unit 2102-3, 21/F
Golden Centre
188 Des Voeux Road
Central, Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(ii) any of the following branches of the receiving bank:

<u>District</u>	<u>Branch</u>	<u>Address</u>
Hong Kong Island	Bank of China Tower Branch	1 Garden Road, Hong Kong
	King's Road Branch	131-133 King's Road, North Point, Hong Kong
Kowloon	Mong Kok Branch	589 Nathan Road, Mong Kok, Kowloon
New Territories	Citywalk Branch	Shop 65 & 67-69, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 April 2019 until 12:00 noon on Friday, 10 May 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to **BANK OF CHINA (HONG KONG) NOMINEES LIMITED – MEDIALINK GROUP PUBLIC OFFER** for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Tuesday, 30 April 2019	– 9:00 a.m. to 5:00 p.m.
Thursday, 2 May 2019	– 9:00 a.m. to 5:00 p.m.
Friday, 3 May 2019	– 9:00 a.m. to 5:00 p.m.
Saturday, 4 May 2019	– 9:00 a.m. to 1:00 p.m.
Monday, 6 May 2019	– 9:00 a.m. to 5:00 p.m.
Tuesday, 7 May 2019	– 9:00 a.m. to 5:00 p.m.
Wednesday, 8 May 2019	– 9:00 a.m. to 5:00 p.m.
Thursday, 9 May 2019	– 9:00 a.m. to 5:00 p.m.
Friday, 10 May 2019	– 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 10 May 2019, the last application day or such later time as described in “10. Effect of bad weather on the opening of the applications lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our 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 the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form 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 our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (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 Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers 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;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (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 (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) 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) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to 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;
- (xvi) 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;
- (xvii) understand that our Company and the Sole Global 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;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant 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 on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Additional instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** 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 authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the **HK eIPO White Form** service

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 30 April 2019 until 11:30 a.m. on Friday, 10 May 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 10 May 2019 or such later time under the “10. Effects of bad weather on the opening of the applications lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** 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 **HK eIPO White Form** service 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 **HK eIPO White Form** 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).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

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.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 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.

You can also collect a prospectus from this address.

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 authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch 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 and a **WHITE** Application Form is signed 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 the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(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;
- 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 Placing;
- 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 authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Directors and the Sole Global 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;
- authorise our Company to place HKSCC Nominees' name on our 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 our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers 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 our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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;
- 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 which 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 our 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 which 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 our 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 our Company, for itself and for the benefit of each Shareholder (and so that our 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 the 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised 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 authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and 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 5,000 Hong Kong Offer Shares. Instructions for more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. 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:

Tuesday, 30 April 2019	–	9:00 a.m. to 8:30 p.m.
Thursday, 2 May 2019	–	8:00 a.m. to 8:30 p.m.
Friday, 3 May 2019	–	8:00 a.m. to 8:30 p.m.
Monday, 6 May 2019	–	8:00 a.m. to 8:30 p.m.
Tuesday, 7 May 2019	–	8:00 a.m. to 8:30 p.m.
Wednesday, 8 May 2019	–	8:00 a.m. to 8:30 p.m.
Thursday, 9 May 2019	–	8:00 a.m. to 8:30 p.m.
Friday, 10 May 2019	–	8:00 a.m. to 12:00 noon

Note:

(1) These times 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 THE HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 30 April 2019 until 12:00 noon on Friday, 10 May 2019 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 10 May 2019, the last application day or such later time as described in “10. Effect of bad weather 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 section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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 **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** 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. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR THE 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 either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 10 May 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** 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).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fees, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 5,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering – Pricing and allocation” in this prospectus.

10. EFFECT OF BAD WEATHER 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,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 10 May 2019. 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 Friday, 10 May 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, 20 May 2019 on our Company’s website at www.medialinkgrouppltd.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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.medialinkgrouppltd.com.hk and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, 20 May 2019;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 20 May 2019 to 12:00 midnight, Friday, 24 May 2019;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 20 May 2019 to Thursday, 23 May 2019 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 20 May 2019 to Wednesday, 22 May 2019 at all the receiving bank designated branches.

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 "Structure of the Global Offering" in this prospectus.

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 completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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.

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 Global Coordinator, the **HK eIPO White Form** 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 of the Stock Exchange 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 Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe 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 Offer Price as finally determined is less than the maximum offer price of HK\$0.53 per Offer Share (excluding brokerage fees, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions 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 fees, SFC transaction levy and the 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 Monday, 20 May 2019.

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 on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS 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. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage fees, SFC transaction levy and the Stock Exchange trading fee but without interest). 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 cheque, 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 dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Monday, 20 May 2019. 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 Tuesday, 21 May 2019 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 using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 20 May 2019 or such other date as notified by us as the date of collection/despatch of share certificates/e-Auto Refund payment instructions/refund cheques.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Monday, 20 May 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 20 May 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and 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 credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 20 May 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- If you are applying as a CCASS investor participant

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 20 May 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form 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 the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 20 May 2019, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 Monday, 20 May 2019 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-Auto 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 cheque(s) by ordinary post at your own risk.

(iv) 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.

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 Monday, 20 May 2019, 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 Monday, 20 May 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 20 May 2019 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

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Participants” in effect from time to time) on Monday, 20 May 2019. 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 and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage fees, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 20 May 2019.

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 business 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 adviser 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, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors

Medialink Group Limited
Guotai Junan Capital Limited

Dear Sirs,

We report on the historical financial information of Medialink Group Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-64, which comprises the combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 March 2016, 2017 and 2018, and the seven months ended 31 October 2018 (the “Track Record Period”), the combined statements of financial position of the Group as at 31 March 2016, 2017 and 2018 and 31 October 2018, and the statement of financial position of the Company as at 31 October 2018, 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-64 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 April 2019 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS’ RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ 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 (the “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 accountants' judgement, 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 accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 accountants' report, a true and fair view of the financial position of the Group as at 31 March 2016, 2017 and 2018 and 31 October 2018, the financial position of the Company as at 31 October 2018, and of the financial performance and cash flows of the Group for each of the Track Record Period in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the combined statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the seven months ended 31 October 2017 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE 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 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

30 April 2019

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS

	Notes	Years ended 31 March			Seven months ended 31 October	
		2016	2017	2018	2017	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(unaudited)
REVENUE	6	171,091	263,823	313,876	176,628	352,076
Cost of sales		(91,398)	(137,991)	(156,910)	(88,179)	(183,417)
Gross profit		79,693	125,832	156,966	88,449	168,659
Other income and gains, net	6	5,114	5,429	17,541	8,581	4,701
Selling and distribution expenses		(21,128)	(34,669)	(43,959)	(26,424)	(31,454)
General and administrative expenses		(12,252)	(17,071)	(24,869)	(13,293)	(21,653)
Other expenses, net		(6,777)	(16,828)	133	–	(2,421)
PROFIT BEFORE TAX	7	44,650	62,693	105,812	57,313	117,832
Income tax expense	10	(9,306)	(9,116)	(11,977)	(8,850)	(20,765)
PROFIT FOR THE YEAR/PERIOD		<u>35,344</u>	<u>53,577</u>	<u>93,835</u>	<u>48,463</u>	<u>97,067</u>
Attributable to:						
Owner of the parent		35,354	53,592	93,899	48,512	97,063
Non-controlling interests		(10)	(15)	(64)	(49)	4
		<u>35,344</u>	<u>53,577</u>	<u>93,835</u>	<u>48,463</u>	<u>97,067</u>

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR/PERIOD	35,344	53,577	93,835	48,463	97,067
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(41)	348	(1,373)	263	(242)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u>35,303</u>	<u>53,925</u>	<u>92,462</u>	<u>48,726</u>	<u>96,825</u>
Attributable to:					
Owner of the parent	35,313	53,940	92,526	48,775	96,821
Non-controlling interests	(10)	(15)	(64)	(49)	4
	<u>35,303</u>	<u>53,925</u>	<u>92,462</u>	<u>48,726</u>	<u>96,825</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March			As at
		2016	2017	2018	31 October
		HK\$'000	HK\$'000	HK\$'000	2018 HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	9,733	8,620	8,388	7,695
Goodwill	25	–	–	–	29,709
Intangible assets	14	1,339	1,996	10,241	15,971
Prepayment and deposits	17	1,681	6	350	156
Total non-current assets		12,753	10,622	18,979	53,531
CURRENT ASSETS					
Licensed assets	15	72,702	84,623	107,824	155,186
Trade receivables	16	70,030	113,977	121,298	239,751
Prepayments, deposits and other receivables	17	1,108	3,733	2,735	6,749
Due from related parties	28(b)	7,810	4,658	5,280	–
Tax recoverable		–	2,530	870	803
Cash and cash equivalents	18	89,162	128,680	169,067	167,102
Total current assets		240,812	338,201	407,074	569,591
CURRENT LIABILITIES					
Trade payables	19	32,563	73,826	79,749	182,783
Accruals and other payables	20	9,712	20,264	33,309	50,880
Contract liabilities	21	17,799	11,270	25,865	33,174
Due to a shareholder	28(b)	82,998	83,473	34,477	254
Dividend payables		1,250	3,250	53,250	–
Tax payable		2,927	1,498	1,699	22,542
Total current liabilities		147,249	193,581	228,349	289,633
NET CURRENT ASSETS		93,563	144,620	178,725	279,958
TOTAL ASSETS LESS CURRENT LIABILITIES		106,316	155,242	197,704	333,489
NON-CURRENT LIABILITIES					
Deferred tax liabilities	22	–	–	–	1,214
Total non-current liabilities		–	–	–	1,214
Net assets		106,316	155,242	197,704	332,275
EQUITY					
Equity attributable to the owner of the parent					
Issued capital	23	–	–	–	–
Reserves	24	106,326	155,267	197,793	332,275
Non-controlling interests		106,326 (10)	155,267 (25)	197,793 (89)	332,275 –
Total equity		106,316	155,242	197,704	332,275

COMBINED STATEMENTS OF CHANGES IN EQUITY

Notes	Attributable to the owner of the parent						Non-controlling interests	Total equity
	Issued capital	Merger reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total		
	HK\$'000	HK\$'000 (note 24(a))	HK\$'000 (note 24(b))	HK\$'000 (note 24(c))	HK\$'000	HK\$'000		
At 1 April 2015	-	-	-	326	70,687	71,013	-	71,013
Profit/(loss) for the year	-	-	-	-	35,354	35,354	(10)	35,344
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	-	-	-	(41)	-	(41)	-	(41)
Total comprehensive income/(loss) for the year	-	-	-	(41)	35,354	35,313	(10)	35,303
At 31 March 2016 and at 1 April 2016	-	-*	-*	285*	106,041*	106,326	(10)	106,316
Profit/(loss) for the year	-	-	-	-	53,592	53,592	(15)	53,577
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	-	-	-	348	-	348	-	348
Total comprehensive income/(loss) for the year	-	-	-	348	53,592	53,940	(15)	53,925
Contribution from a shareholder	-	1	-	-	-	1	-	1
Dividends	11	-	-	-	(5,000)	(5,000)	-	(5,000)
At 31 March 2017 and at 1 April 2017	-	1*	-*	633*	154,633*	155,267	(25)	155,242
Profit/(loss) for the year	-	-	-	-	93,899	93,899	(64)	93,835
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	-	-	-	(1,373)	-	(1,373)	-	(1,373)
Total comprehensive income/(loss) for the year	-	-	-	(1,373)	93,899	92,526	(64)	92,462
Dividends	11	-	-	-	(50,000)	(50,000)	-	(50,000)
At 31 March 2018	-	1*	-*	(740)*	198,532*	197,793	(89)	197,704

	Notes	Attributable to the owner of the parent					Total	Non-controlling interests	Total equity
		Issued capital	Capital reserve	Other reserve	Exchange fluctuation reserve	Retained profits			
		HK\$'000	HK\$'000 (note 24(a))	HK\$'000 (note 24(b))	HK\$'000 (note 24(c))	HK\$'000			
(Unaudited)									
At 1 April 2017		-	1	-	633	154,633	155,267	(25)	155,242
Profit/(loss) for the period		-	-	-	-	48,512	48,512	(49)	48,463
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations		-	-	-	263	-	263	-	263
Total comprehensive income/(loss) for the year		-	-	-	263	48,512	48,775	(49)	48,726
As at 31 October 2017		-	1*	-*	896	203,145	204,042	(74)	203,968
At 1 April 2018		-	1	-	(740)	198,532	197,793	(89)	197,704
Impact on the initial application of HKFRS 9	2.2	-	-	-	-	(2,254)	(2,254)	-	(2,254)
At 1 April 2018 (adjusted)		-	1	-	(740)	196,278	195,539	(89)	195,450
Profit/(loss) for the period		-	-	-	-	97,063	97,063	4	97,067
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations		-	-	-	(242)	-	(242)	-	(242)
Total comprehensive income/(loss) for the period		-	-	-	(242)	97,063	96,821	4	96,825
Acquisition of non-controlling interest	28(a)	-	-	(85)	-	-	(85)	85	-
Acquisition of a subsidiary	25	-	40,000	-	-	-	40,000	-	40,000
At at 31 October 2018		-	40,001*	(85)*	(982)*	293,341*	332,275	-	332,275

* These reserve accounts comprise the combined reserves of HK\$106,326,000, HK\$155,267,000, HK\$197,793,000, and HK\$332,275,000 in the combined statements of financial position as at 31 March 2016, 2017 and 2018 and 31 October 2018, respectively.

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Years ended 31 March			Seven months ended 31 October	
		2016	2017	2018	2017	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		44,650	62,693	105,812	57,313	117,832
Adjustments for:						
Interest income	6	(29)	(65)	(192)	(37)	(184)
Gain on disposal of items of property, plant and equipment	6	(82)	-	-	-	-
Depreciation	7	1,595	1,515	1,172	681	752
Amortisation of intangible assets	7	669	1,001	1,521	448	8,638
Impairment of intangible assets	7	-	-	857	-	-
Impairment of trade receivables	7	96	8,263	78	-	546
Reversal of impairment of trade receivables	7	-	(51)	(19)	-	(79)
Write-off of trade receivables	7	17	366	-	-	-
Write-off of items of property, plant and equipment	7	-	3	3	-	-
Write-down/(reversal of write-down) of licensed rights to net realisable value, net	7	6,067	(405)	(1,053)	-	304
		52,983	73,320	108,179	58,405	127,809
Increase in licensed assets		(29,786)	(11,495)	(22,127)	(33,590)	(34,459)
Increase in trade receivables		(23,916)	(52,545)	(7,153)	(31,166)	(84,127)
Decrease/(increase) in prepayments, deposits and other receivables		(1,083)	(2,315)	732	(4,628)	(3,276)
Decrease/(increase) in amounts due from related parties		(4,739)	3,346	(680)	(8,217)	(3,646)
Increase/(decrease) in trade payables		(4,944)	41,231	5,765	10,217	75,563
Increase in accruals and other payables		3,339	10,544	2,149	11,619	18,156
Increase/(decrease) in contract liabilities		7,677	(6,585)	14,469	5,235	(31,366)
Cash generated from/(used in) operations		(469)	55,501	101,334	7,875	64,654
Hong Kong profits tax paid		(21,962)	(13,022)	(10,098)	(1,502)	-
Net cash flows from/(used in) operating activities		(22,431)	42,479	91,236	6,373	64,654
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		29	65	192	37	184
Purchases of items of property, plant and equipment		(171)	(808)	(295)	(54)	(566)
Proceeds from disposal of items of property, plant and equipment		82	-	-	-	-
Prepayment for purchases of intangible assets		(1,428)	-	-	-	-
Purchases of intangible assets		-	(230)	(39)	(39)	(11,098)
Acquisition of a subsidiary	25	-	-	-	-	31,658
Contribution from a shareholder		-	1	-	-	-
Net cash flows from/(used in) investing activities		(1,488)	(972)	(142)	(56)	20,178
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividends paid		(1,250)	(3,000)	-	-	(53,250)
Advance from a shareholder		3,056	609	760	322	648
Repayment to a shareholder		(15,179)	-	(49,755)	(55)	(33,811)
Net cash flows used in financing activities		(13,373)	(2,391)	(48,995)	267	(86,413)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at the beginning of the year/period		(37,292)	39,116	42,099	6,584	(1,581)
Effect of foreign exchange rate changes, net		126,419	89,162	128,680	128,680	169,067
		35	402	(1,712)	(423)	(384)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD						
		89,162	128,680	169,067	134,841	167,102
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	18	89,162	128,680	169,067	134,841	167,102

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	<u>As at 31 October 2018</u> <i>HK\$'000</i>
CURRENT ASSET		
Due from the ultimate holding company		—*
EQUITY		
Issued capital	23	—*
Total equity		—*

* The amount is less than HK\$1,000.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Medialink Group Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The principal place of business of the Company is located at Suite 1001, 10/F, Tower I, South Seas Centre, 75 Mody Road, Tsim Sha Tsui East, Hong Kong. In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is RLA Company Limited, which is incorporated in the British Virgin Islands ("BVI").

The Company is an investment holding company. During the Track Record Period, the Company's subsidiaries were involved in the following principal activities:

- media content distribution and investment in media content production
- brand licensing

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in "Reorganisation" in "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Medialink Animation International Limited (notes (a) and (f))	Hong Kong 11 August 2000	HK\$2	–	100	Sub-licensing of brands; and provision of licensing agency services
Medialink Pacific Limited (note (e))	BVI 27 September 2000	United States dollar ("US\$") 1	–	100	Inactive
Medialink Entertainment Limited (note (a))	Hong Kong 13 October 2000	HK\$10	–	100	Distribution of licensed media content; sublicensing of brands; theatrical release; and investment in media content production
Medialink (Far East) Limited (note (a))	Hong Kong 11 July 2001	HK\$2	–	100	Sub-licensing of brands; and provision of licensing agency services
Medialink Brand Management Pte Limited (note (e))	Singapore 21 August 2006	Singapore dollar ("SGD") 10	–	100	Provision of licensing agency services

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Medialink (Asia) Limited <i>(note (e))</i>	Samoa 2 October 2009	US\$1	–	100	Investment holding
羚邦星藝文化發展(上海)有限公司 Medialink (Shanghai) Co., Limited* <i>(note (d))</i>	People's Republic of China ("PRC")/ Mainland China 14 September 2012	US\$850,000	–	100	Provision of sales, marketing and administrative support services to group companies
Whateversmiles Limited <i>(notes (b) and (f))</i>	Hong Kong 4 December 2015	HK\$100	–	100	Investment holding and investment in media content production
Medialink Holdings Limited <i>(note (c))</i>	Hong Kong 29 July 2016	HK\$1,000	–	100	Investment holding
Whateversmiles 株式會社 <i>(note (e))</i>	Japan 3 April 2017	Japanese Yen ("JPY") 5,000,000	–	100	Investment in media content production
Medialink Licensing Holdings Limited <i>(note (e))</i>	BVI 13 November 2018	US\$1	100	–	Investment holding
Medialink Entertainment Holdings Limited <i>(note (e))</i>	BVI 13 November 2018	US\$1	100	–	Investment holding
Medialink Investment Holdings Limited <i>(note (e))</i>	BVI 13 November 2018	US\$1	100	–	Investment holding

* For identification purposes only.

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 March 2016 and 2017 prepared under Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") were audited by Crowe Horwath (HK) CPA Limited, certified public accountants registered in Hong Kong and those for the year ended 31 March 2018 prepared under Hong Kong Financial Reporting Standards were audited by Ernst & Young, Hong Kong.
- (b) The statutory financial statements of the entity for the period from 4 December 2015 (date of incorporation) to 31 March 2017 prepared under SME-FRS were audited by Crowe Horwath (HK) CPA Limited and those for the year ended 31 March 2018 prepared under Hong Kong Financial Reporting Standards were audited by Ernst & Young, Hong Kong.

- (c) The statutory financial statements of the entity for the period from 29 July 2016 (date of incorporation) to 31 March 2017 and the year ended 31 March 2018 prepared under HKFRSs were audited by Ernst & Young, Hong Kong.
- (d) The entity is registered as a wholly-foreign-owned enterprise under PRC laws. The statutory financial statements for the years ended 31 December 2015 and 2016 prepared under PRC Generally Accepted Accounting Principles were audited by 上海諾實會計師事務所, certified public accountants registered in the PRC, and those for the year ended 31 December 2017 prepared under PRC Generally Accepted Accounting Principles were audited by 上海戴柯榮會計師事務所有限公司, certified public accountants registered in the PRC.
- (e) No statutory financial statements have been prepared for these entities for the years ended 31 March 2016, 2017 and 2018 (or since the date of incorporation, where later than the beginning of the Track Record Period) as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.
- (f) On 27 June 2018 and 27 August 2018, the Group acquired a 15% equity interest in Whateversmiles Limited and the entire equity interest in Medialink Animation International Limited, respectively. Further details of the transactions are set out in notes 28(a) and 25 to the Historical Financial Information.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Track Record Period on 26 November 2018. The companies now comprising the Group were under the common control of Ms. Lovinia Chiu (the “Controlling Shareholder”) before and after the Reorganisation. In addition, the Controlling Shareholder obtained control over Medialink Animation International Limited on 27 August 2018 after acquiring the remaining 50% equity interest in Medialink Animation International Limited for a cash consideration of HK\$20,000,000 and this transaction was accounted as a business combination by applying the acquisition method. Further details are set out in note 25 to the Historical Financial Information.

For the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period or since the date when the respective subsidiaries first came under the common control of the Controlling Shareholder, whichever is later.

The combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Track Record Period and the seven months ended 31 October 2017 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholder, where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2016, 2017 and 2018 and 31 October 2018 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholder’s perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than the Controlling Shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 April 2018, together with the relevant transitional provisions, including HKFRS 15 *Revenue from Contracts with Customers*, have been consistently applied by the Group in the preparation of the Historical Financial Information throughout the Track Record Period and in the period covered by the Interim Comparative Financial Information, except for HKFRS 9 *Financial Instruments* (“HKFRS 9”) which is adopted by the Group from 1 April 2018 as the standard does not allow the use of hindsight if it is adopted retrospectively.

The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group has adopted HKFRS 9 from 1 April 2018. The Group recognised transition adjustments against the opening balance of equity at 1 April 2018 and has not restated prior years’ financial information. Therefore, the financial information from 1 April 2016 to 31 March 2018 which is reported under HKAS 39 *Financial Instruments: Recognition and Measurement* (“HKAS 39”) is not comparable to the information presented for the seven months ended 31 October 2018. The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the Group’s financial instruments. The impacts arising from the adoption of HKFRS 9 relate to the impairment requirements.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected credit losses on trade receivables both on a specific and collective basis according to management’s assessment of the recoverability of an individual receivable. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained profits as of 1 April 2018 and the affected financial statement items are disclosed below:

Combined Statement of Financial Position	Closing balance at 31 March 2018 (under HKAS 39)	Restatement adjustment on adoption of HKFRS 9	Opening balance at 1 April 2018 (under HKFRS 9)
Assets			
Trade receivables	121,298	(2,254)	119,044
Equity			
Reserves	197,793	(2,254)	195,539

The reconciliation of the ending impairment allowances in accordance with HKAS 39 to the opening balance of loss allowances determined in accordance with HKFRS 9 is set out in note 16.

The Historical Financial Information has been prepared under the historical cost convention.

3.1 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in the Historical Financial Information:

Amendments to HKFRS 3	<i>Definition of a Business</i> ⁵
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements to 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

⁵ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17.

Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As disclosed in note 27 to the Historical Financial Information, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK\$2,547,000 as at 31 October 2018. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that a certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of combination, business combinations and goodwill

This Historical Financial Information includes the financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Period and the seven months ended 31 October 2017. As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using merger accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Except for the common control combination as mentioned above, the results of subsidiaries are combined from the date of acquisition, being the date on which the Group obtains control, and continue to be combined until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on combination in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets and liabilities.

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value.

Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than licensed rights and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write-off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold properties	5% to 10%
Leasehold improvements	Over the shorter of the lease terms and 33 $\frac{1}{3}$ %
Furniture, fixtures and equipment	20% to 33 $\frac{1}{3}$ %
Computer equipment	30% to 33 $\frac{1}{3}$ %
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Programme rights, computer software and brand licensing contracts are stated at cost less any impairment losses. Programme rights and brand licensing contracts are amortised based on the proportion of actual income earned during the year to the total estimated income. The computer software is amortised on a straight-line basis over its estimated useful life of 5 years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets*Initial recognition and measurement*

When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Before 1 April 2018, financial assets are classified, at initial recognition, as loans and receivables.

From 1 April 2018, financial assets are classified, at initial recognition, are subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of debt instruments

Before 1 April 2018, loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are included in profit or loss.

From 1 April 2018, the subsequent measurement of debt instruments depends on their classification as follows:

(i) Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Financial assets at fair value through other comprehensive income

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policy applicable before 1 April 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Impairment of financial assets (policy applicable from 1 April 2018)

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The amount of ECL is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instruments.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group always recognises lifetime ECLs for trade receivables and measures the lifetime ECLs on a specific basis according to management's assessment of the recoverability of an individual receivable. Management considers the number of days that an individual receivable is outstanding, historical experience and forward-looking information to determine the recoverability of the trade receivable.

All other financial instruments are subject to impairment under the general approach and they are classified within the following stages for the measurement of ECLs.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Significant increase in credit risk

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligation;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligation.

Despite the aforementioned, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: (i) it has a low risk of default (i.e., no default history); (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

Based on historical experience, the Group considers that default has occurred and additional credit risk mitigating measures will be taken when the instrument is more than one year past due. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedure, taking into account legal advice where appropriate. Any recoveries made are recognised directly in profit or loss.

Financial liabilities*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Licensed assets

Licensed assets relate to media content distribution rights and brand sub-licensing rights (collectively “licensed rights”) granted by licensors to the Group over a definitive licensing period.

Licensed rights are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

When the Group has signed the licensing agreements and when the licensing period has yet to begin, these acquisition costs are recorded as prepayments included in “Licensed assets”.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is recognised in profit or loss.

Contract liabilities

A contract liability is the 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. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contracts.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue from contracts with customers

Revenue is recognised when the Group has fulfilled the obligations stated in the contracts, and when the Group has transferred control over relative goods or services to the customer, on the following bases:

Media content distribution

The Group distributes media content including animation series, variety shows, drama series, animated and live-action feature films and other video content, which are licensed from third party media content licensors, to customers. Content licensing agreements are entered into with the media content licensors which have definitive licensing periods and give the Group the rights to sub-licence the right of use of the media content to other third parties. The Group then enters into content sub-licensing agreements with customers for a period that falls within the original licensing period with the licensors, pursuant to which the Group will grant exclusive or non-exclusive rights to use the media content (sub-licensed from the media content licensors) in certain territories.

As the Group takes the primary responsibilities of content sub-licensing arrangements, including selecting the customers, providing the media content, and controlling specifications of the content sub-licensing arrangements, including the pricing and territories of distribution, it considers itself as a principal in such arrangements. Accordingly, revenue is recognised on a gross basis, which is the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring the promised media content to customers. The relevant amounts to be paid to the media content licensors as stated in the content licensing agreements are recorded in cost of sales.

(a) Distribution of licensed media content

The Group recognises revenue from the distribution of media content at the point in time when all the following criteria are met: (i) persuasive evidence of a sub-licensing arrangement with a customer exists; (ii) the media content has been delivered or has been made available for the customer's right to use and there is no requirement for significant continued performance by the Group; (iii) the sub-licensing period of the arrangement has begun and the customer can begin its exploitation of the media content; and (iv) collectability of the sub-licensing fee is reasonably assured.

(b) Theatrical release income

Income from theatrical release represents the Group's share of box office sales from films exhibited in movie theatres, after the deduction of direct taxes and charges in relation to the exhibition. The Group's share of income is determined in accordance with the sharing ratio mutually agreed between the Group and the movie theatres.

Income from theatrical release is recognised at the point in time when all the following criteria are met: (i) the films are exhibited in movie theatres; (ii) the amount of income can be measured reliably; and (iii) the collectability of the entitled proceeds is reasonably assured.

Brand licensing

The Group obtains various rights to use third-party owned brands, which may include certain merchandising rights, location-based entertainment rights and promotion rights, and generates revenue by either sub-licensing the use of these brands to customers or acting as agent for the brand licensors.

(a) Sub-licensing of brands

Brand licensing agreements are entered into with the brand licensors which have definitive licensing periods and give the Group the rights to sub-licence the brands to other third parties. The Group then enters into brand sub-licensing agreements with customers for a period that falls within the original licensing period with the licensors, pursuant to which the Group will grant non-exclusive rights for the customers to access the brands for the categories of products or consumer promotions and activities as stipulated in the sub-licensing agreements. The Group receives fixed and non-refundable amounts or minimum guarantees in advance from the sub-licensees and recognises the amounts over the sub-licensing periods as stipulated in the relevant agreements with the sub-licensees. In addition, the Group also earns additional sales-based royalties when cumulative royalties are in excess of the minimum guarantees and these additional royalties are recognised as revenue when the minimum guarantees are exceeded on a cumulative basis.

As the Group takes the primary responsibilities of the brand sub-licensing arrangement, including selecting the customers and controlling the specifications of the brand sub-licensing arrangement, including the pricing and territories of distribution, it considers itself as a principal in such arrangements. Accordingly, revenue is recognised on a gross basis, which is the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring the promised right of use to a customer. The relevant royalty to be paid to the brand licensors as stated in the brand licensing agreements are recorded in cost of sales.

(b) Provision of licensing agency services

The Group also provides integrated licensing agency services to licensors in return for agency service fees which are based on a certain percentage of the total royalty received or receivable by the licensors. The integrated licensing agency services mainly include (i) identification of potential licensees; (ii) negotiation of terms of contracts with licensees on behalf of the licensors; (iii) assisting in promoting brands on behalf of licensors; and (iv) collection of royalty fees on behalf of the licensors. These services are rendered by the Group over the licensing periods of the relevant licensing agreements and the agency service fees are recognised as revenue over time.

The Group has evaluated and determined that it is not the primary obligor in the services rendered and is therefore, acting as agent in the arrangements. Accordingly, the Group recognises its revenue on a net basis, which is the Group's share of the total royalty earned by licensors.

Included in the sub-licensing of brands and the provision of licensing agency services, the Group delivers materials for the events organised by the Group's customers and provides holographic approval stickers/labels to sub-licensees as approval of their products. The Group recognises revenue at the point in time when control of the asset is transferred to the customer, which is on delivery of the materials or holographic approval stickers/labels.

(c) Sales of merchandise

Income from the sales of licensed merchandise is recognised at a point in time when the control of the asset is transferred to the customer, i.e., delivery of the merchandise to the customer.

Other income

Management fee and commission income

The Group provides corporate and business support services, and agency support services to a related company and the related income is recognised in the period in which the relevant services are rendered.

Interest income

Interest income is recognised on an accrual basis, using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

The Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the combined statements of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Principal versus agent considerations

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services. The Group controls the goods or services when it has the ability to direct the use of, and obtain substantially all the remaining benefits from, the goods or services. This includes the ability to prevent others from directing the use or obtaining the benefits of the goods or services.

Current tax and deferred tax

The Group is subject to income taxes in multiple jurisdictions. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the current tax and deferred tax provision in the periods in which the determination is made.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are set out in note 25 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Net realisable value of licensed rights

The Group performs regular review of the carrying amounts of licensed rights with reference to ageing analysis and other specific assessments including projections of expected future sales based on historical sales patterns and other specific attributes, and management experience and judgement. Based on such review, write-down of the licensed rights will be made when the carrying amounts of licensed rights decline below their estimated net realisable values. Due to changes in market and economic environment and customers' preference, actual saleability of licensed rights and actual selling prices that could be realised might be different from the original estimation and profit or loss could be affected by differences in this estimation.

*Impairment of trade receivables*Before 1 April 2018

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

From 1 April 2018

The provision rate of receivables is made based on the assessment of their recoverability and the ageing analysis of the receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. Information about the ECLs on the Group's trade receivables is disclosed in note 16 to the Historical Financial Information.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the media content distribution segment distributes media content including animation series, variety shows, drama series, animated and live-action feature films and other video content, which are licensed from third party media content licensors, to customers; and
- (b) the brand licensing segment either (i) obtains various rights to use third-party owned brands, which include certain merchandising rights, location-based entertainment rights and promotion rights, and sub-licenses the use of these brands to customers; or (ii) acts as an agent for the brand licensors.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income and unallocated gains, depreciation and other corporate and unallocated expenses are excluded from such measurement.

Segment assets exclude property, plant and equipment, cash and cash equivalents, balances with related parties, tax recoverable and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude amount due to a shareholder, dividend payables, tax payable, corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Year ended 31 March 2016/At 31 March 2016

	Media content distribution	Brand licensing	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:			
Sales to external customers	147,946	23,145	171,091
Segment results	40,441	2,836	43,277
<i>Reconciliation:</i>			
Interest income and unallocated gains			4,355
Depreciation			(1,595)
Other corporate and unallocated expenses			(1,387)
Profit before tax			<u>44,650</u>
Segment assets	137,102	8,875	145,977
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>107,588</u>
Total assets			<u>253,565</u>
Segment liabilities	44,287	15,179	59,466
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>87,783</u>
Total liabilities			<u>147,249</u>
Other segment information:			
Amortisation of intangible assets	669	–	669
Impairment of trade receivables	–	96	96
Write-off of trade receivables	–	17	17
Write-down of licensed rights to net realisable value, net	6,067	–	6,067
Capital expenditure*	<u>1,428</u>	<u>–</u>	<u>1,428</u>

* The capital expenditure relates to purchase of intangible assets.

Year ended 31 March 2017/At 31 March 2017

	Media content distribution	Brand licensing	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:			
Sales to external customers	234,062	29,761	263,823
Segment results	63,701	6,580	70,281
<u>Reconciliation:</u>			
Interest income and unallocated gains			4,748
Depreciation			(1,515)
Other corporate and unallocated expenses			(10,821)
Profit before tax			<u>62,693</u>
Segment assets	196,142	6,970	203,112
<u>Reconciliation:</u>			
Corporate and other unallocated assets			145,711
Total assets			<u>348,823</u>
Segment liabilities	87,923	15,237	103,160
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			90,421
Total liabilities			<u>193,581</u>
Other segment information:			
Amortisation of intangible assets	955	–	955
Impairment of trade receivables	8,028	235	8,263
Reversal of impairment of trade receivables	(51)	–	(51)
Write-off of trade receivables	210	156	366
Reversal of write-down of licensed rights to net realisable value, net	(405)	–	(405)

Year ended 31 March 2018/At 31 March 2018

	Media content distribution	Brand licensing	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:			
Sales to external customers	291,122	22,754	313,876
Segment results	89,326	1,723	91,049
<i>Reconciliation:</i>			
Interest income and unallocated gains			16,311
Depreciation			(1,172)
Other corporate and unallocated expenses			(376)
Profit before tax			<u>105,812</u>
Segment assets	231,605	10,029	241,634
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>184,419</u>
Total assets			<u>426,053</u>
Segment liabilities	124,154	14,705	138,859
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>89,490</u>
Total liabilities			<u>228,349</u>
Other segment information:			
Amortisation of intangible assets	1,467	–	1,467
Impairment of intangible assets	857	–	857
Impairment of trade receivables	78	–	78
Reversal of impairment of trade receivables	(19)	–	(19)
Reversal of write-down of licensed rights to net realisable value, net	(1,053)	–	(1,053)
Capital expenditure*	<u>10,584</u>	<u>–</u>	<u>10,584</u>

* The capital expenditure relates to the purchase of intangible assets.

Seven months ended 31 October 2017 (Unaudited)

	Media content distribution	Brand licensing	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:			
Sales to external customers	162,506	14,122	176,628
Segment results	47,478	2,809	50,287
<u>Reconciliation:</u>			
Interest income and unallocated gains			7,864
Depreciation			(681)
Other corporate and unallocated expenses			(157)
Profit before tax			<u>57,313</u>
Other segment information:			
Amortisation of intangible assets	<u>416</u>	<u>–</u>	<u>416</u>

Seven months ended 31 October 2018

	Media content distribution	Brand licensing	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:			
Sales to external customers	327,394	24,682	352,076
Segment results	113,217	3,105	116,322
<u>Reconciliation:</u>			
Interest income and unallocated gains			4,605
Depreciation			(752)
Other corporate and unallocated expenses			(2,343)
Profit before tax			<u>117,832</u>
Segment assets	357,260	86,169	443,429
<u>Reconciliation:</u>			
Corporate and other unallocated assets			179,693
Total assets			<u>623,122</u>
Segment liabilities	190,435	72,486	262,921
<u>Reconciliation:</u>			
Corporate and other unallocated liabilities			27,926
Total liabilities			<u>290,847</u>
Other segment information:			
Amortisation of intangible assets	7,925	682	8,607
Impairment of trade receivables	–	546	546
Reversal of impairment of trade receivables	(69)	(10)	(79)
Write-down of licensed rights to net realisable value, net	(562)	–	(562)
Reversal of write-down of licensed rights to net reliable value, net	258	–	258
Capital expenditure*	6,296	–	6,296

* The capital expenditure relates to purchase of intangible assets.

Geographical information

(a) Revenue from external customers

	Years ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Mainland China	107,470	186,173	244,099	137,034	279,819
Hong Kong	20,419	17,761	21,820	11,653	15,857
United States of America ("United States")	7,705	20,862	15,883	7,697	25,024
Taiwan	8,835	12,246	10,468	6,953	4,299
Southeast Asian countries					
Thailand	11,308	8,461	5,904	5,360	3,547
Other Southeast Asian countries	9,864	4,958	9,140	3,283	16,263
Others	5,490	13,362	6,562	4,648	7,267
	<u>171,091</u>	<u>263,823</u>	<u>313,876</u>	<u>176,628</u>	<u>352,076</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	3,005	2,417	10,615	41,647
Mainland China	5,028	4,468	4,572	3,969
Others	4,467	3,731	3,442	7,759
	<u>12,500</u>	<u>10,616</u>	<u>18,629</u>	<u>53,375</u>

The non-current asset information above is based on the locations of the assets and excludes financial assets.

Information about major customers

Revenue from external customers contributing over 10% to the total revenue of the Group for the years ended 31 March 2016, 2017 and 2018, and the seven months ended 31 October 2017 and 2018 is as follows:

	Years ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Customer A	26,210	N/A*	88,644	33,887	125,905
Customer B	17,218	59,351	113,978	60,829	92,911
Customer C	N/A*	60,457	38,190	37,862	N/A*
Customer D	35,584	33,766	N/A*	–#	–#

* Less than 10% of the total revenue of the Group in the respective years/periods

The Group has no transactions with these customers in the respective years/periods.

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represented the value of services rendered and the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of disaggregation of the Group's revenue from contracts with customers is as follows:

	Years ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue					
Major product or service lines					
<i>Media content distribution</i>					
Distribution of licensed media content	144,950	234,030	286,862	160,016	326,017
Theatrical release income	2,996	32	4,260	2,490	1,377
	147,946	234,062	291,122	162,506	327,394
<i>Brand licensing</i>					
Sub-licensing of brands	16,722	21,899	13,538	9,565	16,099
Provision of licensing agency services	6,203	7,497	9,006	4,412	7,963
Sales of merchandise	220	365	210	145	620
	23,145	29,761	22,754	14,122	24,682
Total revenue from contracts with customers	171,091	263,823	313,876	176,628	352,076

	Years ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Geographical locations					
<i>Media content distribution</i>					
Mainland China	105,367	181,592	240,679	133,742	273,961
Hong Kong	15,509	10,625	19,720	11,189	9,812
United States	3,057	15,171	10,175	5,693	19,928
Taiwan	3,646	4,243	4,614	2,621	1,834
Southeast Asian countries					
Thailand	10,586	8,138	5,861	5,357	2,645
Other Southeast Asian countries	8,524	4,019	9,063	3,230	15,962
Others	1,257	10,274	1,010	674	3,252
	147,946	234,062	291,122	162,506	327,394
<i>Brand licensing</i>					
Mainland China	2,103	4,581	3,420	3,292	5,858
Hong Kong	4,910	7,136	2,100	464	6,045
United States	4,648	5,691	5,708	2,004	5,096
Taiwan	5,189	8,003	5,854	4,332	2,465
Southeast Asian countries					
Thailand	722	323	43	3	902
Other Southeast Asian countries	1,340	939	77	53	301
Others	4,233	3,088	5,552	3,974	4,015
	23,145	29,761	22,754	14,122	24,682
Total revenue from contracts with customers	171,091	263,823	313,876	176,628	352,076

	Years ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Timing of revenue recognition					
<i>At a point in time</i>					
<i>Media content distribution</i>					
Distribution of licensed media	144,950	234,030	286,862	160,016	326,017
Theatrical release income	2,996	32	4,260	2,490	1,377
<i>Brand licensing</i>					
Sub-licensing of brands	6,136	8,118	2,543	1,858	4,690
Provision of licensing agency services	714	1,758	1,013	503	1,045
Sales of merchandise	220	365	210	145	620
	155,016	244,303	294,888	165,012	333,749
<i>Over time</i>					
<i>Brand licensing</i>					
Sub-licensing of brands	10,586	13,782	10,995	7,707	11,409
Provision of licensing agency services	5,489	5,738	7,993	3,909	6,918
	16,075	19,520	18,988	11,616	18,327

An analysis of other income and gains, net is as follows:

	Years ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Other income and gains, net					
Bank interest income	29	65	192	37	184
Management fee income from a related party (note 28(a)(i))	4,111	4,432	12,690	7,402	4,287
Commission income from a related party (note 28(a)(ii))	624	681	1,230	717	96
Gain on disposal of items of property, plant and equipment	82	–	–	–	–
Foreign exchange differences, net	–	–	3,347	378	–
Others	268	251	82	47	134
	<u>5,114</u>	<u>5,429</u>	<u>17,541</u>	<u>8,581</u>	<u>4,701</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Years ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Auditor's remuneration	182	217	739	420	528
Cost of goods sold and other services rendered	90,729	137,036	155,443	87,762	174,810
Listing expenses	–	–	–	–	6,979
Depreciation	1,595	1,515	1,172	681	752
Amortisation of intangible assets	669	1,001	1,521	448	8,638
Minimum lease payments under operating leases	1,615	2,374	2,805	1,617	2,056
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):					
Salaries, wages, allowances and bonuses	17,336	22,806	31,743	16,496	17,695
Pension scheme contributions (defined contribution schemes)	1,462	2,132	2,407	1,368	1,690
	<u>18,798</u>	<u>24,938</u>	<u>34,150</u>	<u>17,864</u>	<u>19,385</u>
Foreign exchange differences, net	597	4,805	(3,347)	(378)	1,650
Impairment of intangible assets*	–	–	857	–	–
Impairment of trade receivables*	96	8,263	78	–	546
Reversal of impairment of trade receivables*	–	(51)	(19)	–	(79)
Write-off of trade receivables*	17	366	–	–	–
Write-off of items of property, plant and equipment*	–	3	3	–	–
Write-down/(reversal of write-down) of licensed rights to net realisable value, net*	6,067	(405)	(1,053)	–	304
	<u>6,067</u>	<u>(405)</u>	<u>(1,053)</u>	<u>–</u>	<u>304</u>

* These amounts are included in "Other expenses, net" on the face of the combined statements of profit or loss.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Executive directors and chief executive officer

Ms. Chiu Siu Yin Lovinia, Mr. Cheung Wai Kit, Mr. Ma Ching Fung and Ms. Chiu Siu Fung Noletta were appointed as executive directors of the Company on 29 October 2018. Ms. Chiu Siu Yin, Lovinia was appointed as the chief executive officer on 12 November 2018.

Non-executive director

Ms. Wong Hang Yee, JP was appointed as a non-executive director of the Company on 29 October 2018.

Independent non-executive directors

Ms. Leung Chan Che Ming Miranda, Mr. Fung Ying Wai Wilson and Mr. Wong Kam Pui, JP were appointed as independent non-executive directors of the Company on 29 October 2018. There were no fees or other emoluments paid or payable to the independent non-executive directors of the Company during the Track Record Period.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Fees	Salaries, allowances, and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total remuneration
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2016					
Ms. Chiu Siu Yin, Lovinia	–	864	22	42	928
Ms. Chiu Siu Fung, Noletta	–	936	236	42	1,214
	–	1,800	258	84	2,142
Year ended 31 March 2017					
Ms. Chiu Siu Yin, Lovinia	–	1,012	86	42	1,140
Ms. Chiu Siu Fung, Noletta	–	979	86	42	1,107
	–	1,991	172	84	2,247
Year ended 31 March 2018					
Ms. Chiu Siu Yin, Lovinia	–	1,925	320	42	2,287
Ms. Chiu Siu Fung, Noletta	–	962	277	42	1,281
	–	2,887	597	84	3,568
Seven months ended 31 October 2017 (Unaudited)					
Ms. Chiu Siu Yin, Lovinia	–	1,120	–	25	1,145
Ms. Chiu Siu Fung, Noletta	–	561	76	25	662
	–	1,681	76	50	1,807
Seven months ended 31 October 2018					
Ms. Chiu Siu Yin, Lovinia	–	1,187	–	25	1,212
Ms. Chiu Siu Fung, Noletta	–	673	–	25	698
	–	1,860	–	50	1,910

During the Track Record Period and the seven months ended 31 October 2017, no remuneration was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the Track Record Period and the seven months ended 31 October 2018.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the years ended 31 March 2016, 2017 and 2018 and the seven months ended 31 October 2017 and 2018 included 2, 2, 2, 2 and 2 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Track Record Period of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Years ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Salaries, allowances and benefits in kind	2,231	2,453	3,380	1,961	2,502
Discretionary bonuses	601	3,333	1,490	538	–
Pension scheme contributions (defined contribution schemes)	36	36	54	33	33
	<u>2,868</u>	<u>5,822</u>	<u>4,924</u>	<u>2,532</u>	<u>2,535</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Years ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
				<i>(unaudited)</i>	
Nil to HK\$1,000,000	2	2	1	2	2
HK\$1,000,001 to HK\$1,500,000	1	–	–	1	1
HK\$1,500,001 to HK\$2,000,000	–	–	1	–	–
HK\$2,000,001 to HK\$2,500,000	–	–	1	–	–
HK\$4,000,001 to HK\$4,500,000	–	1	–	–	–
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period, and the seven months ended 31 October 2017, whereby the first HK\$2,000,000 of profits earned by one of the group companies will be taxed at a rate of 8.25% whilst the remaining profits will continue to be taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Years ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Current – Hong Kong					
Charge for the year/period	9,305	9,116	11,972	8,850	20,862
Underprovision in prior years	1	–	–	–	–
Current – Elsewhere					
Charge for the year/period	–	–	5	–	15
Deferred (<i>note 22</i>)	–	–	–	–	(112)
Total tax charge for the year/period	<u>9,306</u>	<u>9,116</u>	<u>11,977</u>	<u>8,850</u>	<u>20,765</u>

A reconciliation between profit before tax multiplied by the applicable tax rate to the tax charge at the Group's effective tax rate is as follows:

	Years ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Profit before tax	<u>44,650</u>	<u>62,693</u>	<u>105,812</u>	<u>57,313</u>	<u>117,832</u>
Tax at the domestic rates applicable to profits in the countries where the Group operates	7,103	10,005	17,729	9,696	19,470
Adjustments in respect of current tax of previous periods	1	–	–	–	–
Income not subject to tax	(20)	(10)	(87)	(62)	(206)
Tax credit for PRC withholding tax	–	(4,966)	(5,065)	–	–
Expenses not deductible for tax	540	2,629	219	110	1,056
Tax losses utilised from previous periods	–	–	(1,285)	(1,196)	(366)
Tax losses not recognised	957	1,426	394	392	838
Others	725	32	72	(90)	(27)
Tax charge at the Group's effective tax rate	<u>9,306</u>	<u>9,116</u>	<u>11,977</u>	<u>8,850</u>	<u>20,765</u>

At 31 March 2016, 2017 and 2018 and 31 October 2018, the Group had unrecognised tax losses of HK\$9,396,000, HK\$16,272,000, HK\$13,065,000 and HK\$15,790,000, respectively, subject to the agreement by the relevant tax authorities, that are available for offsetting against future taxable profits of the companies in which the losses arose. Out of which amounts in aggregate of HK\$1,383,000, HK\$3,624,000, HK\$2,621,000 and HK\$4,647,000, respectively, are available indefinitely for offsetting against future taxable profits and the remaining unrecognised tax loss will expire in around one year to ten years. Deferred tax assets have not been recognised in respect of these losses as they have mainly arisen in entities that have been loss-making, and in the opinion of the directors, it is currently not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDENDS

No dividend has been paid or declared by the Company during the Track Record Period as it was incorporated on 29 October 2018.

The dividends declared by the companies now comprising the Group to the Controlling Shareholder during the Track Record Period and the seven months ended 31 October 2017 are as follows:

	Years ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Interim dividends	–	5,000	50,000	–	–

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Track Record Period and the seven months ended 31 October 2017 on a combined basis as further explained in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 March 2016						
At 31 March 2015 and 1 April 2015:						
Cost	11,061	653	320	818	2,589	15,441
Accumulated depreciation	(964)	(398)	(278)	(711)	(1,805)	(4,156)
Net carrying amount	<u>10,097</u>	<u>255</u>	<u>42</u>	<u>107</u>	<u>784</u>	<u>11,285</u>
At 1 April 2015, net of accumulated depreciation	10,097	255	42	107	784	11,285
Additions	–	–	46	125	–	171
Depreciation provided for the year	(806)	(81)	(33)	(87)	(588)	(1,595)
Exchange realignment	(120)	(4)	–	(4)	–	(128)
At 31 March 2016, net of accumulated depreciation	<u>9,171</u>	<u>170</u>	<u>55</u>	<u>141</u>	<u>196</u>	<u>9,733</u>
At 31 March 2016:						
Cost	10,933	649	368	939	1,960	14,849
Accumulated depreciation	(1,762)	(479)	(313)	(798)	(1,764)	(5,116)
Net carrying amount	<u>9,171</u>	<u>170</u>	<u>55</u>	<u>141</u>	<u>196</u>	<u>9,733</u>

	Leasehold properties	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 March 2017						
At 1 April 2016, net of accumulated depreciation	9,171	170	55	141	196	9,733
Additions	–	219	159	430	–	808
Depreciation provided for the year	(804)	(247)	(72)	(196)	(196)	(1,515)
Write-off	–	–	(3)	–	–	(3)
Exchange realignment	(391)	(6)	(3)	(3)	–	(403)
At 31 March 2017, net of accumulated depreciation	<u>7,976</u>	<u>136</u>	<u>136</u>	<u>372</u>	<u>–</u>	<u>8,620</u>
At 31 March 2017:						
Cost	10,436	849	515	1,352	1,960	15,112
Accumulated depreciation	<u>(2,460)</u>	<u>(713)</u>	<u>(379)</u>	<u>(980)</u>	<u>(1,960)</u>	<u>(6,492)</u>
Net carrying amount	<u>7,976</u>	<u>136</u>	<u>136</u>	<u>372</u>	<u>–</u>	<u>8,620</u>
31 March 2018						
At 1 April 2017, net of accumulated depreciation	7,976	136	136	372	–	8,620
Additions	–	–	38	257	–	295
Depreciation provided for the year	(770)	(90)	(63)	(249)	–	(1,172)
Write-off	–	–	(3)	–	–	(3)
Exchange realignment	632	5	4	7	–	648
At 31 March 2018, net of accumulated depreciation	<u>7,838</u>	<u>51</u>	<u>112</u>	<u>387</u>	<u>–</u>	<u>8,388</u>
At 31 March 2018:						
Cost	11,335	884	561	1,638	1,960	16,378
Accumulated depreciation	<u>(3,497)</u>	<u>(833)</u>	<u>(449)</u>	<u>(1,251)</u>	<u>(1,960)</u>	<u>(7,990)</u>
Net carrying amount	<u>7,838</u>	<u>51</u>	<u>112</u>	<u>387</u>	<u>–</u>	<u>8,388</u>
31 October 2018						
At 1 April 2018, net of accumulated depreciation	7,838	51	112	387	–	8,388
Additions	–	93	52	421	–	566
Acquisition of a subsidiary (<i>note 25</i>)	–	–	–	59	–	59
Depreciation provided for the period	(485)	(44)	(44)	(179)	–	(752)
Exchange realignment	(556)	(2)	(3)	(5)	–	(566)
At 31 October 2018, net of accumulated depreciation	<u>6,797</u>	<u>98</u>	<u>117</u>	<u>683</u>	<u>–</u>	<u>7,695</u>

	Leasehold properties	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 October 2018:						
Cost	10,522	945	600	2,355	1,960	16,382
Accumulated depreciation	(3,725)	(847)	(483)	(1,672)	(1,960)	(8,687)
Net carrying amount	<u>6,797</u>	<u>98</u>	<u>117</u>	<u>683</u>	<u>-</u>	<u>7,695</u>

14. INTANGIBLE ASSETS

	Programme rights	Computer software	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 March 2016			
At 1 April 2015			
Cost	3,347	-	3,347
Accumulated amortisation	(1,339)	-	(1,339)
Net carrying amount	<u>2,008</u>	<u>-</u>	<u>2,008</u>
Cost at 1 April 2015, net of accumulated amortisation	2,008	-	2,008
Amortisation provided during the year	(669)	-	(669)
At 31 March 2016	<u>1,339</u>	<u>-</u>	<u>1,339</u>
At 31 March 2016			
Cost	3,347	-	3,347
Accumulated amortisation	(2,008)	-	(2,008)
Net carrying amount	<u>1,339</u>	<u>-</u>	<u>1,339</u>
31 March 2017			
Cost at 1 April 2016, net of accumulated amortisation	1,339	-	1,339
Additions	1,428	230	1,658
Amortisation provided during the year	(955)	(46)	(1,001)
At 31 March 2017	<u>1,812</u>	<u>184</u>	<u>1,996</u>
At 31 March 2017			
Cost	4,775	230	5,005
Accumulated amortisation	(2,963)	(46)	(3,009)
Net carrying amount	<u>1,812</u>	<u>184</u>	<u>1,996</u>

	Programme rights	Computer software	Brand licensing contracts	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 March 2018				
Cost at 1 April 2017, net of accumulated amortisation	1,812	184	–	1,996
Additions	10,584	39	–	10,623
Amortisation provided during the year	(1,467)	(54)	–	(1,521)
Impairment provided during the year*	(857)	–	–	(857)
At 31 March 2018	<u>10,072</u>	<u>169</u>	<u>–</u>	<u>10,241</u>
At 31 March 2018				
Cost	15,359	269	–	15,628
Accumulated amortisation and impairment	(5,287)	(100)	–	(5,387)
Net carrying amount	<u>10,072</u>	<u>169</u>	<u>–</u>	<u>10,241</u>
31 October 2018				
Cost at 1 April 2018, net of accumulated amortisation and impairment	10,072	169	–	10,241
Additions	6,296	–	–	6,296
Acquisition of a subsidiary (note 25)	–	–	8,037	8,037
Amortisation provided during the period	(7,925)	(31)	(682)	(8,638)
Exchange realignment	35	–	–	35
At 31 October 2018	<u>8,478</u>	<u>138</u>	<u>7,355</u>	<u>15,971</u>
At 31 October 2018				
Cost	21,701	269	8,037	30,007
Accumulated amortisation and impairment	(13,223)	(131)	(682)	(14,036)
Net carrying amount	<u>8,478</u>	<u>138</u>	<u>7,355</u>	<u>15,971</u>

* During the year ended 31 March 2018, an impairment loss of HK\$857,000 was recognised in respect of the programme rights of an animation series due to the decrease in the recoverable amount of the programme rights. As at 31 March 2018, the recoverable amount of the programme rights was determined based on a value in use calculation using cash flow projection approved by management. Since no future economic benefits are expected from certain programme rights of the Group, these programme rights were fully impaired during the year ended 31 March 2018.

The impairment of HK\$857,000 was recognised in the combined statements of profit or loss and included in the “Media Content Distribution” segment.

15. LICENSED ASSETS

	As at 31 March			As at
	2016	2017	2018	31 October
	HK\$'000	HK\$'000	HK\$'000	2018
Licensed rights	54,638	79,070	96,503	153,513
Prepayments for licensed rights	18,064	5,553	11,321	1,673
	72,702	84,623	107,824	155,186

Licensed assets represent payments to licensors in connection with cost to obtain media content distribution rights and brand licensing rights over a definitive licensing period. These licensed assets are held to generate revenue in the ordinary course of the Group's businesses.

16. TRADE RECEIVABLES

	As at 31 March			As at
	2016	2017	2018	31 October
	HK\$'000	HK\$'000	HK\$'000	2018
Trade receivables				
– Billed receivables	69,045	103,657	120,294	236,251
– Unbilled receivables	1,131	18,691	9,445	14,650
	70,176	122,348	129,739	250,901
Less: Impairment	(146)	(8,371)	(8,441)	(11,150)
	70,030	113,977	121,298	239,751

The Group's trading terms with its customers are mainly on credit. For the media content distribution business, the payment terms with customers are generally of two to four payments with the first payment usually due upon the submission of the letter of authorisation relating to the media content to the customer. The credit periods generally range from 30 to 45 working days after the payment milestone as specified in the underlying contracts. For the brand licensing business, the payment terms are generally of one to two payments with the first payment usually due upon the execution of the contracts. The credit period is generally 30 days after the payment milestone as specified in the underlying contracts.

The Group seeks to maintain strict control over its outstanding receivables as overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the billed trade receivables as at the end of each of the Track Record Period, based on the invoice date, is as follows:

	As at 31 March			As at
	2016	2017	2018	31 October
	HK\$'000	HK\$'000	HK\$'000	2018
Within 30 days	16,539	36,156	10,831	18,526
31 to 60 days	1,545	6,823	68,445	32,139
61 to 90 days	18,752	8,898	810	29,353
91 to 180 days	19,964	7,023	14,918	124,854
181 to 360 days	7,954	31,238	9,190	14,249
Over 360 days	4,291	13,519	16,100	17,130
	69,045	103,657	120,294	236,251

The movements in the provision/loss allowance for impairment of trade receivables are as follows:

	As at 31 March			As at
	2016	2017	2018	31 October
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
At beginning of year/period				
As previously stated	53	146	8,371	8,441
Impairment on initial application of HKFRS 9 (note 2.2)	–	–	–	2,254
As adjusted	53	146	8,371	10,695
Impairment losses recognised (note 7)	96	8,263	78	546
Impairment losses reversed (note 7)	–	(51)	(19)	(79)
Exchange realignment	(3)	13	11	(12)
	<u>146</u>	<u>8,371</u>	<u>8,441</u>	<u>11,150</u>

From 1 April 2018, the Group has applied the simplified approach to providing allowance for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables at each reporting date. To measure the ECLs, the trade receivables have been grouped based on shared credit risk characteristics and the days past due. ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions. During the Track Record Period, the expected loss rate for certain customers that are credit-impaired are assessed specifically by management. For other trade receivables aged more than one year past due but not credit-impaired, management has not observed objective evidence of financial difficulties of the debtors and has been taking credit risk mitigating measures. Set out below is the information about the credit risk exposure on the Group's trade receivables as at 31 October 2018 using a provision matrix:

	Expected credit loss rate	Gross carrying amount	Expected credit loss
		HK\$'000	HK\$'000
Credit-impaired receivables	100%	8,975	8,975
Other trade receivables aged:			
Current and within one year past due	0.8%	239,796	1,805
More than one year past due	17.4%	2,130	370
		<u>250,901</u>	<u>11,150</u>

The ageing analysis of the billed trade receivables that are not individually nor collectively considered to be impaired under HKAS 39, based on the terms of the underlying contracts, is as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	24,781	27,823	74,993
Less than 3 months past due	18,361	26,172	15,605
3 to 6 months past due	5,158	4,874	1,415
7 to 12 months past due	17,005	32,410	10,363
Over 12 months past due	3,594	4,007	9,477
	<u>68,899</u>	<u>95,286</u>	<u>111,853</u>

Receivables that were neither past due nor impaired related to a number of diversified customers including certain large customers with good track record with the Group for whom there were no recent history of default and no significant changes in the credit risk.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	1,987	2,788	1,472	5,068
Deposits	363	479	517	694
Other receivables	439	472	1,096	1,143
	<u>2,789</u>	<u>3,739</u>	<u>3,085</u>	<u>6,905</u>
Less: portion classified under non-current assets	<u>(1,681)</u>	<u>(6)</u>	<u>(350)</u>	<u>(156)</u>
Portion classified under current assets	<u>1,108</u>	<u>3,733</u>	<u>2,735</u>	<u>6,749</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default.

18. CASH AND CASH EQUIVALENTS

	As at 31 March			As at
	2016	2017	2018	31 October
	HK\$'000	HK\$'000	HK\$'000	2018
Cash and bank balances	89,162	128,680	169,067	167,102

At 31 March 2016, 2017 and 2018 and 31 October 2018, the cash and bank balances of the Group's PRC operations denominated in Renminbi ("RMB") amounted to approximately HK\$336,000, HK\$137,000, HK\$455,000 and HK\$1,875,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	As at 31 March			As at
	2016	2017	2018	31 October
	HK\$'000	HK\$'000	HK\$'000	2018
Unbilled trade payables	23,870	42,862	50,961	110,008
Within 1 month	4,180	10,554	14,506	9,156
1 to 3 months	2,274	7,055	7,935	36,014
More than 3 months	2,239	13,355	6,347	27,605
	32,563	73,826	79,749	182,783

The trade payables are unsecured and non-interest-bearing. For the minimum guarantee payments to the licensors, the payment terms and the due dates are specified in the relevant contracts and are usually settled by instalments at the early stage of the relevant licensing periods. For royalty payable which exceed the minimum guarantee, the amounts are due when the Group submits the royalty reports to the licensors which is subsequent to the collection of the corresponding trade receivables from the licensees.

The unbilled trade payables relate to amounts that are unbilled payables to licensors which are calculated based on the royalty rates as stipulated in the respective licensing agreements.

20. ACCRUALS AND OTHER PAYABLES

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals	760	3,278	4,862	5,526
Other payables	8,952	16,986	28,447	45,354
	<u>9,712</u>	<u>20,264</u>	<u>33,309</u>	<u>50,880</u>

Other payables are non-interest-bearing and have an average term of three months.

21. CONTRACT LIABILITIES

Contract liabilities include (i) advance payments received from customers for the Group to deliver the media content or render brand licensing services; and (ii) unsatisfied performance obligations resulting from fixed-price long-term brand sub-licensing contracts as at the end of each reporting period. Contract liabilities are recognised as revenue upon the Group satisfies its performance obligations under the relevant contracts.

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Media content distribution	9,376	3,715	19,396	7,273
Brand licensing	8,423	7,555	6,469	25,901
	<u>17,799</u>	<u>11,270</u>	<u>25,865</u>	<u>33,174</u>

The revenue to be recognised arising from the Group's contract liabilities is as follows:

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	16,371	9,903	24,514	26,267
After one year	1,428	1,367	1,351	6,907
	<u>17,799</u>	<u>11,270</u>	<u>25,865</u>	<u>33,174</u>

Movements in contract liabilities during the Track Record Period are as follows:

	As at 31 March			As at
	2016	2017	2018	31 October
	HK\$'000	HK\$'000	HK\$'000	2018
At the beginning of the year/period	10,122	17,799	11,270	25,865
Additions	167,352	249,171	321,464	309,428
Acquisition of a subsidiary (Note 25)	–	–	–	38,793
Revenue recognised during the year/period	(159,675)	(255,700)	(306,869)	(340,912)
At the end of the year/period	<u>17,799</u>	<u>11,270</u>	<u>25,865</u>	<u>33,174</u>

The decrease in the contract liabilities as at 31 March 2017 is mainly attributed to the delivery of the media contents during the year. The increase in contract liabilities as at 31 March 2018 and 31 October 2018 was mainly attributed to increase in advance payments received from customers and the acquisition of MAIL respectively.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	As at 31 March			As at
	2016	2017	2018	31 October
	HK\$'000	HK\$'000	HK\$'000	2018
Within one year	16,371	9,903	24,514	26,267
More than one year	1,428	1,367	1,351	6,907
	<u>17,799</u>	<u>11,270</u>	<u>25,865</u>	<u>33,174</u>
Revenue recognised from: Amounts included in contract liabilities at the beginning of the year/period	<u>9,340</u>	<u>16,371</u>	<u>9,903</u>	<u>23,142</u>

22. DEFERRED TAX LIABILITIES

	Fair value adjustment arising from acquisition of a business
	<i>HK\$'000</i>
At 1 April 2015, 31 March 2016, 1 April 2016, 31 March 2017, 1 April 2017, 31 March 2018 and 1 April 2018	–
Acquisition of a subsidiary (<i>note 25</i>)	1,326
Deferred tax credited to the combined statement of profit or loss during the period (<i>note 10</i>)	(112)
	<hr/>
As at 31 October 2018	<u>1,214</u>

23. SHARE CAPITAL

On 29 October 2018, the Company was incorporated as an exempted company with limited liability incorporated in the Cayman Islands with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, 1 ordinary share of HK\$0.01 was issued at par for cash.

24. RESERVES

The amounts of the Group's reserves and the movements therein for each of the Track Record Period are presented in the combined statements of changes in equity on pages I-8 and I-9 of this report.

(a) Capital reserve

The capital reserve represents reserve arising from the Reorganisation and capital contribution from the Controlling Shareholder arising from the acquisition of Medialink Animation International Limited (*note 25*).

(b) Other reserve

Other reserve mainly represents the difference between the acquisition of additional equity interest in a subsidiary from the non-controlling shareholder and the consideration paid.

(c) Exchange fluctuation reserve

Exchange fluctuation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

25. BUSINESS COMBINATION AND GOODWILL

Business combination

On 27 August 2018, the Controlling Shareholder entered into a sale and purchase agreement with Ms. Chiu Siu Fung, Noletta, a director of the Company and a sister of the Controlling Shareholder, to acquire 50% equity interest in Medialink Animation International Limited ("MAIL") for a cash consideration of HK\$20,000,000 and the transaction was completed on the same date. The acquisition was made as part of the Group's strategy to expand the Group's brand licensing business. MAIL was jointly controlled by the Controlling Shareholder and Ms. Chiu Siu Fung, Noletta before the completion of the transaction. Immediately after the acquisition, MAIL was controlled by the Controlling Shareholder and became part of the Group pursuant to the Reorganisation.

The fair values of the identifiable assets and liabilities of MAIL as at the date of acquisition were as follows:

	<i>Notes</i>	Fair value recognised on acquisition
		<i>HK\$'000</i>
Property, plant and equipment	<i>13</i>	59
Brand licensing contracts	<i>14</i>	8,037
Licensed assets		12,358
Trade receivables		37,269
Prepayments, deposits and other receivables		718
Due from related parties		5,456
Tax recoverable		18
Cash and cash equivalents		31,658
Trade payables		(27,630)
Accruals and other payables		(3,798)
Contract liabilities	<i>21</i>	(38,793)
Due to related parties		(13,735)
Deferred tax liabilities	<i>22</i>	(1,326)
		<u>10,291</u>
Goodwill on acquisition		<u>29,709</u>
		<u>40,000</u>
Satisfied by:		
Cash paid by the Controlling Shareholder for 50% equity interest in MAIL		20,000
Fair value of the 50% equity interest in MAIL contributed by the Controlling Shareholder		<u>20,000</u>
Deemed contribution from the Controlling Shareholder		<u>40,000</u>

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK\$37,269,000 and HK\$84,000, respectively. The amount of the contractual cash flows at the acquisition date is expected to be collectible.

The Group incurred transaction costs of HK\$99,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the combined statement of profit or loss.

As a result of this business combination, goodwill of HK\$29,709,000 was recorded in the Group's combined statement of financial position. The goodwill arising from the acquisition pertains, but is not limited, to the expected synergies arising from the acquisition.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash and bank balances acquired and inflow of cash and cash equivalents included in cash flows from investing activities	31,658
Transaction costs of the acquisition included in cash outflows from operating activities	(99)
	31,559
	31,559

Since the acquisition, MAIL contributed HK\$10,055,000 to the Group's revenue and HK\$2,299,000 to the combined profit for the seven months ended 31 October 2018.

Had the combination taken place at the beginning of the period, the revenue and the combined profit of the Group for the period would have been HK\$369,928,000 and HK\$97,538,000, respectively.

Goodwill

	<i>HK\$'000</i>
At 1 April 2015, 31 March 2016, 1 April 2016, 31 March 2017, 1 April 2017, 31 March 2018 and 1 April 2018	–
Acquisition of MAIL	29,709
	29,709
As at 31 October 2018	29,709

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the brand licensing cash-generating unit.

The recoverable amount of the brand licensing cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16.5%. The growth rate used to extrapolate the cash flows of the brand licensing unit beyond the five-year period is 3%, which is the same as the long term average growth rate of the brand licensing market.

Assumptions were used in the value in use calculation of the brand licensing cash-generating unit for 31 October 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the brand licensing unit.

Based on the results of the goodwill impairment testing, the estimated recoverable amount of the brand licensing cash-generating unit exceeded its carrying amount by approximately HK\$25,978,000 as at 31 October 2018. By applying a 930 basis point increase in the pre-tax discount rate or a 700 basis points decrease in the budgeted gross margin as at 31 October 2018 would result in the recoverable amount of the brand licensing cash-generating unit being approximately equal to its carrying amount.

In the opinion of the directors, any reasonable possible changes in the key assumptions on which the recoverable amount is based would not cause the brand licensing cash-generating unit's carrying amount to exceed its recoverable amount.

26. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transaction

During the year ended 31 March 2018, the Group acquired the programme rights of an animation series totalling HK\$10,584,000 which was settled during the seven months ended 31 October 2018.

During the period ended 31 October 2018, the Group acquired the programme rights of an animation series totalling HK\$5,782,000 which was unpaid as at 31 October 2018.

(b) Changes in liabilities arising from financing activities

The table below details the cash flows and non-cash changes in the Group's liabilities arising from financing activities. Except as disclosed below, there were no non-cash changes in the Group's liabilities arising from financing activities.

	Amount due to a shareholder	Dividend payables
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2015	95,052	2,500
Changes from financing cash flows	(12,123)	(1,250)
Foreign exchange movement	69	–
	<hr/>	<hr/>
At 31 March 2016 and at 1 April 2016	82,998	1,250
Changes from financing cash flows	609	(3,000)
Dividends declared	–	5,000
Foreign exchange movement	(134)	–
	<hr/>	<hr/>
At 31 March 2017 and at 1 April 2017	83,473	3,250
Changes from financing cash flows	(48,995)	–
Dividend declared	–	50,000
Foreign exchange movement	(1)	–
	<hr/>	<hr/>
At 31 March 2018 and at 1 April 2018	34,477	53,250
Changes from financing cash flows	(33,811)	(53,250)
Foreign exchange movement	(412)	–
	<hr/>	<hr/>
At 31 October 2018	<u>254</u>	<u>–</u>

27. OPERATING LEASE COMMITMENTS

The Group leases certain of its offices, warehouses and car parks under operating lease arrangements. Leases for properties are negotiated for terms ranging from six months to two years.

At the end of each of the Track Record Period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,963	696	2,459	2,255
In the second to fifth years, inclusive	507	–	333	292
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>2,470</u>	<u>696</u>	<u>2,792</u>	<u>2,547</u>

28. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in this report, the Group had the following material transactions with related parties during the Track Record Period and the seven months ended 31 October 2017:

Notes	Year ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Medialink Animation International Limited*:					
Management fee income	(i) 4,111	4,432	12,690	7,402	4,287
Commission income	(ii) 624	681	1,230	717	96

* MAIL was a related company of the Group which was jointly controlled by the Controlling Shareholder and Ms. Chiu Siu Fung, Noletta, a director of the Company and a sister of the Controlling Shareholder. On 27 August 2018, MAIL became a wholly-owned subsidiary of the Group as part of the Reorganisation and its results were combined to the Group thereafter.

Notes:

- (i) The management fee was related to the corporate and business support services rendered by the Group to the related company and was charged on terms mutually agreed between the relevant parties.
- (ii) The commission income was related to the agency support services rendered by the Group to the related company and the fee was charged on terms mutually agreed between the relevant parties.

In addition, on 27 June 2018, the Group acquired 15% equity interest in Whateversmiles Limited from Ms. Chiu Siu Fung, Noletta, thereby increasing its ownership interest from 85% to 100%, for a cash consideration of HK\$15. The consideration was determined with reference to the nominal value of the issued share capital of Whateversmiles Limited.

Whateversmiles Limited is an investment holding company which owns a 100% equity interest in Whateversmiles 株式會社, a company established in Japan primarily involved in the investment in media content production. The carrying amount of the non-controlling interests in Whateversmiles Limited at the date of acquisition was approximately HK\$85,000. The Group recognised a credit to the non-controlling interests of approximately HK\$85,000 and a debit to equity attributable to owner of the parent of approximately HK\$85,000.

- (b) Outstanding balances with related parties:

The balances with related parties and a shareholder are non-trade related, unsecured, interest-free and repayable on demand.

Due from related parties

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
MAIL	7,657	4,369	4,632	–
Ms. Chiu Siu Fung, Noletta	153	289	648	–
	7,810	4,658	5,280	–

Due to a shareholder

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ms. Chiu Siu Yin, Lovinia	82,998	83,473	34,477	254

(c) **Compensation of key management personnel of the Group**

Remuneration for key management personnel of the Group, including directors' remuneration as disclosed in note 8 to the Historical Financial Information, is as follows:

	Year ended 31 March			Seven months ended 31 October	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Short term employee benefits	3,785	7,462	10,406	4,859	5,502
Post-employment benefits	120	122	165	105	105
Total compensation paid to key management personnel	3,905	7,584	10,571	4,964	5,607

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Period are as follows:

Financial assets*Financial assets at amortised cost*

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	70,030	113,977	121,298	239,751
Financial assets included in prepayments, deposits and other receivables	802	951	1,613	1,837
Due from related parties	7,810	4,658	5,280	–
Cash and cash equivalents	89,162	128,680	169,067	167,102
	167,804	248,266	297,258	408,690

Financial liabilities*Financial liabilities at amortised cost*

	As at 31 March			As at 31 October
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	32,563	73,826	79,749	182,783
Financial liabilities included in accruals and other payables	2,639	4,032	14,183	13,243
Due to a shareholder	82,998	83,473	34,477	254
	<u>118,200</u>	<u>161,331</u>	<u>128,409</u>	<u>196,280</u>

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, the current portion of financial assets included in prepayments, deposits and other receivables, amounts due from related parties, trade payables, financial liabilities included in accruals and other payables and an amount due to a shareholder approximate to their carrying amounts largely due to the short term maturities of these instruments or the effect of discounting is not material.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents and an amount due to a shareholder. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from sales or purchases by operating units in currencies other than the unit's functional currencies. The majority of the Group's foreign currency purchase transactions are denominated in USD. On the other hand, the sales and disbursements are mainly denominated in USD, RMB and JPY. As HK\$ is pegged to USD, the directors of the Company anticipate that there will be no significant movements in the USD/HK\$ exchange rates and the exposure on US\$ will not be material.

The Group's risk management principle with regard to its foreign currency denominated monetary assets, liabilities, commitments, and cash flows is to match as far as possible the values of such assets and cash flows against similarly denominated liabilities and cash flows. Decisions on either holding net short or long positions in foreign currency denominated monetary assets or liabilities are taken on a case-by-case basis and by taking into consideration the amount and duration of the exposure, market volatility, economic trends and requirements of the business.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB and JPY exchange rates, with all other variables held constant, of the Group's profit before tax.

	<u>Change in exchange rate</u>	<u>Increase/ (decrease) in profit before tax</u>
		<i>HK\$'000</i>
31 March 2016		
If HK\$ weakens against RMB	5%	1,000
If HK\$ strengthens against RMB	5%	(1,000)
If HK\$ weakens against JPY	5%	30
If HK\$ strengthens against JPY	5%	(30)
		<u><u> </u></u>
31 March 2017		
If HK\$ weakens against RMB	5%	2,283
If HK\$ strengthens against RMB	5%	(2,283)
If HK\$ weakens against JPY	5%	55
If HK\$ strengthens against JPY	5%	(55)
		<u><u> </u></u>
31 March 2018		
If HK\$ weakens against RMB	5%	1,576
If HK\$ strengthens against RMB	5%	(1,576)
If HK\$ weakens against JPY	5%	(102)
If HK\$ strengthens against JPY	5%	102
		<u><u> </u></u>
31 October 2018		
If HK\$ weakens against RMB	5%	1,026
If HK\$ strengthens against RMB	5%	(1,026)
If HK\$ weakens against JPY	5%	966
If HK\$ strengthens against JPY	5%	(966)
		<u><u> </u></u>

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At the end of each of the Track Record Period, the Group had certain concentrations of credit risk as follows:

	<u>As at 31 March</u>			<u>As at 31 October</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>
	%	%	%	%
Trade receivables from				
The largest debtor	34	29	38	31
The five largest debtors	71	80	84	77
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

Maximum exposure and year-end staging at the end of the Track Record Period

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification at the end of each of the Track Record Period. The amounts presented are gross carrying amounts for financial assets.

31 October 2018

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	–	–	–	239,751	239,751
Financial assets included in prepayments, deposits and other receivables – not yet past due	1,837	–	–	–	1,837
Cash and cash equivalents	167,102	–	–	–	167,102
	<u>168,939</u>	<u>–</u>	<u>–</u>	<u>239,751</u>	<u>408,690</u>

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the Historical Financial Information.

Liquidity risk

The Group's objective is to ensure there are adequate funds to meet its liquidity requirements in the short and longer terms by considering the maturity of its financial assets and liabilities and projected cash flows.

The following tables show the maturity profile of the Group's financial liabilities as at the end of each of the Track Record Period, based on the contractual undiscounted payments.

	On demand	Less than 1 year	Total
	HK\$'000	HK\$'000	HK\$'000
31 March 2016			
Trade payables	–	32,563	32,563
Financial liabilities included in accruals and other payables	–	2,639	2,639
Due to a shareholder	82,998	–	82,998
	<u>82,998</u>	<u>35,202</u>	<u>118,200</u>

	On demand	Less than 1 year	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 March 2017			
Trade payables	–	73,826	73,826
Financial liabilities included in accruals and other payables	–	4,032	4,032
Due to a shareholder	83,473	–	83,473
	<u>83,473</u>	<u>77,858</u>	<u>161,331</u>
31 March 2018			
Trade payables	–	79,749	79,749
Financial liabilities included in accruals and other payables	–	14,183	14,183
Due to a shareholder	34,477	–	34,477
	<u>34,477</u>	<u>93,932</u>	<u>128,409</u>
31 October 2018			
Trade payables	–	182,783	182,783
Financial liabilities included in accruals and other payables	–	13,243	13,243
Due to a shareholder	254	–	254
	<u>254</u>	<u>200,818</u>	<u>196,280</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholder, return capital to the shareholder or issue new shares. The Group is not required to comply with any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

32. EVENTS AFTER THE TRACK RECORD PERIOD

The Group had the following significant events after the Track Record Period:

- (a) On 23 November 2018, certain subsidiaries of the Group declared interim dividends of HK\$72.5 million which were paid on 25 March 2019.
- (b) On 12 April 2019, the authorised share capital of the Company increased from HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 shares of a par value of HK\$0.01 each, by the creation of an additional 4,962,000,000 shares with a par value of HK\$0.01 each. The 4,962,000,000 new shares shall rank pari passu in all respects with the existing issued shares of the Company.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 October 2018.

The following information sets out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the combined net tangible assets of the Group attributable to owner of the parent as if the Global Offering had taken place on 31 October 2018. This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the public offer and placing been completed as at 31 October 2018 or any future dates:

	Combined net tangible assets attributable to owner of the parent as at 31 October 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3 and 4)</i>
Based on the Offer Price of HK\$0.45 per Share	286,595	191,585	478,180	0.24
Based on the Offer Price of HK\$0.53 per share	<u>286,595</u>	<u>230,230</u>	<u>516,825</u>	<u>0.26</u>

- (1) The combined net tangible assets attributable to owner of the parent as at 31 October 2018 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited combined equity attributable to owner of the parent as at 31 October 2018 of HK\$332,275,000 with adjustments for goodwill of HK\$29,709,000 and intangible assets of HK\$15,971,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$0.45 and HK\$0.53 per Offer Share, being the minimum Offer Price and maximum Offer Price of the price offer range, after deduction of the underwriting fees and other listing related expenses expected to be incurred subsequent to 31 October 2018, and without taking into account of any Shares which may be issued upon exercise of Over-allotment Option or any option which have been or may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 1,992,000,000 Shares expected to be in issue immediately following the completion of the Global Offering without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option or of any options which have been or may be granted under the Share Option Scheme.
- (4) The unaudited pro forma adjusted combined net tangible assets attributable to owner of the parent does not take into account interim dividends of HK\$72,500,000 declared by certain subsidiaries on 23 November 2018. Had the dividends been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group per Share would have been HK\$0.20 and HK\$0.22 at the Offer Price of HK\$0.45 and HK\$0.53, respectively, which is calculated based on 1,992,000,000 Shares in issue immediately following the Global Offering.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Medialink Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Medialink Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 31 October 2018 and related notes as set out on page II-1 of the prospectus dated 30 April 2019 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in notes as set out on page II-1.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 October 2018. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the seven months ended 31 October 2018 on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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 accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma 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:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young*Certified Public Accountants*

Hong Kong

30 April 2019

The estimate of the consolidated profit attributable to owners of our Company for the year ended 31 March 2019 is set out in “Financial Information – Profit estimate for the year ended 31 March 2019” in this prospectus.

A. PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2019

Our Directors have prepared the Profit Estimate based on the audited combined results of our Group for the seven months ended 31 October 2018, the unaudited consolidated results based on the management accounts of our Group for the three months ended 31 January 2019 and an estimate of the consolidated results of our Group for the remaining two months ended 31 March 2019. The Profit Estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants’ Report as set out in Appendix I to this prospectus.

Profit Estimate for the year ended 31 March 2019

Estimated consolidated profit attributable to owners of
our Company Not less than HK\$100.3 million

B. LETTER FROM OUR REPORTING ACCOUNTANTS ON PROFIT ESTIMATE

The following is the text of a letter, prepared for inclusion in this prospectus, received by our Directors and the Sole Sponsor from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in connection with the estimate of the consolidated profit attributable to owners of our Company for the year ended 31 March 2019.



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Board of Directors
Medialink Group Limited
Guotai Junan Capital Limited

Dear Sirs,

Medialink Group Limited (“the Company”)

Profit estimate for year ended 31 March 2019

We refer to the estimate of the consolidated profit attributable to owners of the Company for the year ended 31 March 2019 (the “**Profit Estimate**”) set forth in the section headed “Financial Information” in the prospectus of the Company dated 30 April 2019 (the “**Prospectus**”).

Directors’ responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited combined results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the seven months ended 31 October 2018, the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 January 2019 and an estimate of the consolidated results of the Group for the remaining two months ended 31 March 2019.

The Company’s directors are solely responsible for the Profit Estimate.

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 Hong Kong Institute of Certified Public Accountants (“**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 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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 accountants' responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors of the Company and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in Section A of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 30 April 2019, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

30 April 2019

C. LETTER FROM THE SOLE SPONSOR ON PROFIT ESTIMATE

The following is the text of a letter, prepared for inclusion in this prospectus, received by our Directors from the Sole Sponsor, in connection with the estimate of the consolidated profit attributable to owners of our Company for the year ended 31 March 2019.



Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millenium Plaza
181 Queen's Road Central
Hong Kong

30 April 2019

The Board of Directors
Medialink Group Limited

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to owners of Medialink Group Limited (the “**Company**”) for the year ended 31 March 2019 (the “**Profit Estimate**”), as set out in the section headed “Financial information” of the prospectus of the Company dated 30 April 2019.

The Profit Estimate has been prepared by the directors of the Company based on the audited combined results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the seven months ended 31 October 2018, the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 January 2019 and an estimate of the consolidated results of the Group for the remaining two months ended 31 March 2019.

We have discussed with you the bases and assumptions upon which the Profit Estimate has been made, we have also considered the letter dated 30 April 2019 addressed to you and us from Ernst & Young regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Profit Estimate, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully
For and on behalf of
Guotai Junan Capital Limited
Stanley Tang
Managing Director

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 October 2018 under the Cayman Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) 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.
- (b) 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 adopted on 12 April 2019. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, 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 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. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting,

but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value 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.

(iii) 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 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 cancelled; (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 authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (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 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.

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. 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 recognise 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 at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

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.

(v) 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 Securities and Futures Commission of Hong Kong.

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.

(vi) 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.

(vii) 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 instalments. If the sum payable in respect of any call or instalment 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 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 instalments 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 annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment 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, 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 annum as the Board may prescribe.

(b) Directors*(i) 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. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed 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. 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 period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

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 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:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise 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.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, 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 Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) 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, but so 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, this 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.

(iii) 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 Law 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.

(iv) 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 Law, 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.

(v) *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.

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.

(vi) 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.

(vii) 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 of the 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.

(viii) 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 favour 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 realised 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:

- (aa) 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;
- (bb) 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;
- (cc) 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;
- (dd) 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
- (ee) 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.

(c) 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.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law 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.

(e) Meetings of member***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast 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 authorised representatives or, where proxies are allowed, 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 Cayman Companies Law, 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 authorised representatives or, where proxies are allowed, 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.

(ii) 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 authorised 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 but so that no amount paid up or credited as paid up on a share in advance of calls or instalments 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 authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) 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.

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 authorised corporate representative):

- (A) at least two members;
- (B) 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
- (C) 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, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised 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 vote individually on a show of hands.

Where the Company has knowledge that 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.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) 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 Law 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, 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% 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.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

(v) 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.

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 authorised 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.

(vi) 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 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 if it were an individual member. 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 authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised 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 favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) 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 Law (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 Law or ordered by a court of competent jurisdiction or authorised 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 (as defined in the Articles), 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 summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office 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 Company in general meeting 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 of the Company, remove the auditors by special 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.

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.

(g) 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:

- (i) 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;
- (ii) 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
- (iii) 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, instalments 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:

- (aa) 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
- (bb) 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.

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 instalments 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 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.

(h) 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) 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 Hong Kong Companies Ordinance.

(i) 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 Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) 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:

- (i) 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

- (ii) 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 Law, 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, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, 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. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 29 October 2018 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law 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 Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) 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 authorised share capital.

(b) Share capital

Under Cayman Companies Law, 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:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) 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 authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) 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.

(d) 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 authorised 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 authorised 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 authorise 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 cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

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 Cayman Islands law 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.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, 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.

(f) 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 v. 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.

(g) 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).

(h) 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 Law (2013 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.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 30 years from 23 November 2018.

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.

(k) 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.

(l) 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.

(m) 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.

(n) 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 Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) 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.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, 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 (i.e. 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.

(r) 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% 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.

(s) Indemnification

Cayman Islands law does 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.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

We were incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 29 October 2018. Our principal place of business in Hong Kong is at Suite 1001, 10/F, Tower 1, South Seas Centre, 75 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong and we have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Ma Ching Fung has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our operation is subject to the Cayman Companies Law and to the Memorandum and Articles of Association. A summary of the certain aspects of the Cayman Islands company law and a summary of certain provisions of the Memorandum and Articles of Association is set out in “Appendix IV – Summary of the constitution of our Company and Cayman Islands Company Law” in this prospectus.

2. Changes in the share capital of our Company

As of the date of incorporation of our Company, our Company had an authorised share capital of HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each. One Share was allotted and issued at par, credited as fully paid, to the initial subscriber and such Share was subsequently transferred at par to RLA, fully paid, on the same date.

See “History, Reorganisation and corporate structure – Reorganisation” in this prospectus for details of the Reorganisation.

See “Share capital” in this prospectus for details of our share capital following completion of the Capitalisation Issue and the Global Offering.

Save as disclosed above, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

3. Changes in share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants’ Report in Appendix I to this prospectus. Apart from the subsidiaries mentioned in the Accountants’ Report, we do not have any other subsidiaries.

Save as disclosed above and in “History, Reorganisation and corporate structure” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Our corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. See “History, Reorganisation and corporate structure” in this prospectus for further details.

5. Resolutions in writing of our Shareholders passed on 12 April 2019

Pursuant to the written resolutions passed by the Shareholders on 12 April 2019:

- (a) the authorised share capital of our Company be increased to HK\$50,000,000 divided into 5,000,000,000 Shares with par value of HK\$0.01 each;
- (b) approved and adopted the Memorandum and Articles of Association which will come into effect upon Listing;
- (c) 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 Offer Price being fixed on the Price Determination Date 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:
 - (i) the Global Offering and the listing of Shares on the Stock Exchange were approved and our Directors (or any committee established by the Board of Directors pursuant to the Articles) were authorised to allot and issue the new Shares pursuant to the Global Offering;
 - (ii) the granting of the Over-allotment Option was approved;
 - (iii) the proposed Listing was approved and our Directors (or any committee established by the Board of Directors pursuant to the Articles) were authorised to implement the Listing;
 - (iv) subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 1,493,999,999 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on the date immediately preceding the date of the Global Offering becoming unconditional (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$14,940,000 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 existing issued Shares;

- (d) a general unconditional mandate was granted to our 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 or (c) 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 (d) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (e) 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**”);
- (e) a general unconditional mandate was granted to our 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 recognised by the SFC and the Stock Exchange for this purpose Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, such mandate to remain in effect during the Applicable Period; and
- (f) the general unconditional mandate mentioned in paragraph (e) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) 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 Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

6. Repurchases of our own securities

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies listed on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) 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 12 April 2019, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorising any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), 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 Law 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 Shareholders in general meeting, whichever first occurs.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, 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. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, 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 Law, out of capital.

(iii) 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 aggregate number of shares in issue. 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 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.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) 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), 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.

(vi) Reporting requirements

Certain information relating to repurchases of securities 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.

(vii) Connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) *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. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material adverse impact on the working capital and/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.

(d) *General*

The exercise in full of the repurchase mandate, on the basis of 1,992,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering and assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 199,200,000 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 our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates has any present intention to sell any Shares to our Company or our subsidiaries.

Our 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 or it 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 Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code 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 falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into in 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:

- (a) the sale and purchase agreement entered into between Ms. Noletta Chiu and Ms. Lovinia Chiu dated 27 June 2018, pursuant to which Ms. Noletta Chiu transferred her 15 shares in WSH to Ms. Lovinia Chiu for a consideration of HK\$15;
- (b) the sale and purchase agreement entered into between Ms. Noletta Chiu and Ms. Lovinia Chiu dated 27 August 2018 pursuant to which Ms. Noletta Chiu transferred her one share in MAIL to Ms. Lovinia Chiu for a consideration of HK\$20,000,000;
- (c) the Deed of Non-Competition;
- (d) the Deed of Indemnity; and
- (e) the Hong Kong Underwriting Agreement.

















2. Intellectual property rights of our Group

As at the Latest Practicable Date, we had registered or had applied for the registration of the following intellectual property rights which are material in relation to our business.





(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which are material to our business:

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date	Status
1.		28, 35, 41	MEL MAL MPL MFE	Hong Kong	300445572	24 June 2005	23 June 2025	Valid

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date	Status
2.	^A  ^B  ^C  ^D 	35, 38, 41	MEL	Hong Kong	303805885	14 June 2016	13 June 2026	Valid
3.		16	MHL	the PRC	21323359	14 November 2017	13 November 2027	Valid
4.		41	MHL	the PRC	21323360	7 July 2018	6 July 2028	Valid
5.		45	MHL	the PRC	21323371	14 November 2017	13 November 2027	Valid
6.		16, 35, 38, 41	MEL	Singapore	40201800865Q	12 January 2018	12 January 2028	Valid
7.		35	MEL	Taiwan	01875299	16 October 2017	15 October 2027	Valid
8.		35	MEL	Taiwan	01875300	16 October 2017	15 October 2027	Valid
9.		38	MEL	Taiwan	01875673	16 October 2017	15 October 2027	Valid
10.		38	MEL	Taiwan	01875674	16 October 2017	15 October 2027	Valid
11.		41	MEL	Taiwan	01907165	1 April 2018	31 March 2028	Valid
12.		41	MEL	Taiwan	01907166	1 April 2018	31 March 2028	Valid
13.		42	MEL	Taiwan	01875862	16 October 2017	15 October 2027	Valid
14.		42	MEL	Taiwan	01875863	16 October 2017	15 October 2027	Valid

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which are material to our business:

No.	Trademark	Type and class	Name of applicant	Place of application	Application number	Application date	Status
1.	 MediaLink	9, 16, 18, 25, 28, 35, 36, 41, 45	Company, MEL, MAIL, MFE, MHL	Hong Kong	304804326	17 January 2019	Pending
2.	 MediaLink	9, 16, 18, 25, 28, 35, 36, 41, 45	Company, MEL, MAIL, MFE, MHL	Hong Kong	304804317	17 January 2019	Pending
3.	 MediaLink 羚邦	9, 16, 18, 25, 28, 35, 36, 41, 45	Company, MEL, MAIL, MFE, MHL	Hong Kong	304804308	17 January 2019	Pending
4.	 MediaLink 羚邦	9, 16, 18, 25, 28, 35, 36, 41, 45	Company, MEL, MAIL, MFE, MHL	Hong Kong	304804290	17 January 2019	Pending
5.	<i>Ani-One</i>	16	MEL	Malaysia	2018062052	8 June 2018	Pending
6.	<i>Ani-One</i>	35	MEL	Malaysia	2018062053	8 June 2018	Pending
7.	<i>Ani-One</i>	38	MEL	Malaysia	2018062054	8 June 2018	Pending
8.	<i>Ani-One</i>	41	MEL	Malaysia	2018062055	8 June 2018	Pending

(b) Domain names

As at the Latest Practicable Date, we had registered the following domain names which are material to our business:

No.	Domain name	Registrant	Registration date	Expiry date	Status
1.	medialinkgrouppltd.com	MEL	15 November 2018	15 November 2021	Valid
2.	medialinkgrouppltd.com.hk	MEL	15 November 2018	15 November 2021	Valid

(c) Copyrights

As at the Latest Practicable Date, we did not have any copyrights which are material to our business.

(d) Patents

As at the Latest Practicable Date, we did not have any registered patents, nor did we apply for registration of any patents for our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) *Interests of our Director and the chief executive of our Company*

Immediately following the completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, 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) Interest in our Company

Name of Director	Nature of interest	Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised)	
		Number of Shares held ⁽¹⁾	Approximate percentage of shareholding interest in our Company ⁽²⁾
Ms. Lovinia Chiu ⁽³⁾	Interest in controlled corporation	1,494,000,000	75%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,992,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).
- (3) Ms. Lovinia Chiu, our founder, Chairman of our Board, executive Director and Chief executive officer of our Company, holds the entire share capital of RLA, which in turn directly holds 1,494,000,000 Shares. Accordingly, Ms. Lovinia Chiu is deemed to be interested in the 1,494,000,000 Shares held by RLA.

(b) Interests of the substantial Shareholders

Save as disclosed in “Substantial Shareholders” in this prospectus, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Directors or chief executive 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 and the Stock Exchange 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company.

2. Directors’ service contracts and letters of appointment

Each of our executive Directors and non-executive Directors has entered into a service contract with our Company on or around 25 April 2019 and we have issued letters of appointment to our independent non-executive Directors. The service contracts with each of our executive Directors and our non-executive Director are for an initial fixed term of three years commencing from the date of the service contracts. 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 into, or has proposed to enter into, a service contract with any member of our 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 fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind) paid to our Directors for the years ended 31 March 2016, 2017 and 2018 as well as the seven months ended 31 October 2018 were approximately HK\$2.1 million, HK\$2.2 million, HK\$3.6 million and HK\$1.9 million respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the period/years ended 31 March 2016, 2017 and 2018 as well as the seven months ended 31 October 2018, by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of the Directors for the year ended 31 March 2019 to be approximately HK\$9.4 million.

4. Directors' competing interests

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. Disclaimers

Save as disclosed in this prospectus:

- (a) 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;
- (b) 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors nor any of the persons listed in "D. Other Information – 6. Qualification of experts" in this section 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 our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors nor any of the persons listed in "D. Other Information – 6. Qualification of experts" in this section is materially interested in any contract or arrangement with our 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 our Group as a whole;

- (e) save in connection with the Hong Kong Underwriting Agreement, none of the persons listed in “D. Other information – 6. Qualification of experts” in this section has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) none of our Directors, their respective close 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 five largest customers and five largest suppliers for the Track Record Period.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity to indemnify our Company for itself and as trustee for its subsidiaries in respect of liabilities which may arise as a result of non-compliance of our Group with the applicable laws, rules or regulations on or before the Listing Date as a result of the incident referred to in the section headed “Business – Legal and compliance – Non-compliance incidents” in this prospectus.

3. Litigation

As at the Latest Practicable Date, save as disclosed in “Business – Legal and compliance” in this prospectus, 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 our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

4. 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 exercise of the Over-allotment Option).

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Please see “Underwriting – Underwriting arrangements and expenses – The Sole Sponsor’s Independence” in this prospectus for details regarding the independence of the Sole Sponsor. The sponsor fees payable to the Sole Sponsor is HK\$4.5 million in aggregate and are payable by our Company.

5. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2018 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

6. 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 opinion or advice which are contained in this prospectus:

Name	Qualifications
Guotai Junan Capital Limited	A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified public accountants
Beijing Dentons Law Offices, LLP (Shenzhen)	Legal advisers as to the PRC laws
Walkers (Hong Kong)	Legal advisers as to Cayman Islands and BVI laws
Ms. Yvonne Fong	Barrister-at-law in Hong Kong
RSM Tax Advisory (Hong Kong) Limited	Tax adviser
Frost & Sullivan International Limited	Industry consultant

7. Consent of experts

Each of the experts as referred to in “D. Other information – 6. Qualification of experts” in this section has given and has not withdrawn her/its consent to the issue of this prospectus with the inclusion of her/its report and/or letter and/or legal opinion (as the case may be) and references to her/its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the 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.

8. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

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.

9. Preliminary expenses

The preliminary expenses incurred by our Company were approximately HK\$28,000 and were payable by us.

10. 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.

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). In case of any discrepancies between the English language and Chinese language versions, the English language shall prevail.

12. Miscellaneous

- (a) Save as disclosed in 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 loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or loan capital 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 24 months 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 loan capital 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 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 material adverse 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.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in “Appendix V – Statutory and general information – B. Further information about our business – 1. Summary of material contracts” in this prospectus; and
- (c) the written consents referred to in “Appendix V – Statutory and General Information – D. Other information – 5. Consents of experts” in this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of DLA Piper Hong Kong on 17th Floor, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) memorandum and Articles of Association;
- (b) the Accountants’ Report from Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited combined financial statements of our Group for the three years ended 31 March 2018 and the seven months ended 31 October 2018;
- (d) the report on the unaudited pro forma financial information issued by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (e) the letters on profit estimate prepared by Ernst & Young and the Sole Sponsor, the text of which are set out in Appendix III to this prospectus;
- (f) the letter of advice prepared by Walkers (Hong Kong), our legal advisers as to Cayman Islands law, summarising certain aspects of the Cayman Companies Law referred to in Appendix IV to this prospectus;
- (g) the legal opinion issued by our PRC Legal Advisers;
- (h) the Frost & Sullivan Report;
- (i) the Companies Law;
- (j) the material contracts referred to in “Appendix V – Statutory and general information – B. Further information about our business – 1. Summary of material contracts” in this prospectus;

- (k) the written consents referred to in “Appendix V – Statutory and general information – D. Other information – 6. Consents of experts” in this prospectus;
- (l) the service contracts and letters of appointment referred to in “Appendix V – Statutory and general information – C. Further information about our Directors and Substantial Shareholders – 2. Directors’ service contracts and letters of appointment” in this prospectus;
- (m) the tax opinion prepared by RSM; and
- (n) the legal opinion issued by Hong Kong Legal Counsel.

MEDIALINK GROUP LIMITED

羚邦集團有限公司