

煜盛文化集團*



CHINA BRIGHT CULTURE GROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1859

GLOBAL OFFERING

Joint Sponsors



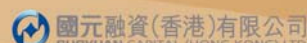
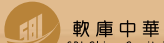
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



* For identification purposes only

IMPORTANT

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



煜盛文化
CHINA BRIGHT CULTURE GROUP

China Bright Culture Group

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(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 400,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 40,000,000 Shares (subject to adjustment)
Number of International Offer Shares	: 360,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$3.37 per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong Dollars and subject to refund)
Nominal Value	: US\$0.00001 per Share
Stock Code	: 1859

Joint Sponsors



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



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

A copy of this Prospectus, having attached thereto the documents specified in "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection" to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission 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 determined by agreement between the Joint Representatives (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, March 5, 2020 but, in any event, not later than Monday, March 9, 2020. The Offer Price will be not more than HK\$3.37 and is currently expected to be not less than HK\$2.25. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$3.37 for each Hong Kong Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$3.37. If, for any reason, the Joint Representatives (on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price by Monday, March 9, 2020, the Global Offering will not proceed and will lapse.

The Joint Representatives (on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative Offer Price range stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the website of the Stock Exchange website at www.hkexnews.hk and on the Company's website at www.sinozwh.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections entitled "Structure of the Global Offering — Determining the Offer Price" and "How to Apply for Hong Kong Offer Shares" in this Prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in "Risk Factors."

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 Joint Representatives (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that dealing in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" in this Prospectus. It is important that you refer to that section for further details.

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

February 28, 2020

* For identification purpose only

EXPECTED TIMETABLE^(note 1)

Our Company will issue an announcement on the website of the Stock Exchange at www.hkexnews.hk and our website at www.sinozsw.com if there is any change in the following expected timetable of the Hong Kong Public Offering.

Hong Kong Public Offering commences and WHITE and YELLOW Application Forms available from	9:00 a.m. on Friday, February 28, 2020
Latest time for completing electronic applications under HK eIPO White Form service through one of the below ways (note 2):	
(1) the IPO App , which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp	11:30 a.m. on Thursday, March 5, 2020
(2) the designated website www.hkeipo.hk	
Application lists for the Hong Kong Public Offering open (note 3)	11:45 a.m. on Thursday, March 5, 2020
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC (note 4)	12:00 noon on Thursday, March 5, 2020
Latest time to complete payments for HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, March 5, 2020
Application lists close (note 3)	12:00 noon on Thursday, March 5, 2020
Expected Price Determination Date (note 5)	Thursday, March 5, 2020
Announcement of the Offer Price, the indications of the level of interest in the International Offering, the level of applications in the Hong Kong Public Offering, and the basis of allocation of the Hong Kong Offer Shares to be published at the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.sinozsw.com on or before (note 7)	Thursday, March 12, 2020
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 (See “How to Apply for Hong Kong Offer Shares — 11. Publication of Results”) from	Thursday, March 12, 2020
Results of allocations in the Hong Kong Public Offering will be available at “Allotment Result” function in the IPO App or at www.tricor.com.hk/ipo/result (or www.hkeipo.hk/IPOResult) with a “search by ID” function	Thursday, March 12, 2020
Despatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before (notes 6 & 8)	Thursday, March 12, 2020
Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on or before (note 9)	Thursday, March 12, 2020
e-Auto Refund payment instructions/refund checks in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be despatched on or before (notes 7, 9, 10 & 11)	Thursday, March 12, 2020

EXPECTED TIMETABLE

Dealings in Shares on the Main Board of the Stock Exchange to 9:00 a.m. on Friday,
commence at March 13, 2020

The application for the Hong Kong Public Offer Shares will commence on Friday, February 28, 2020 through Thursday, March 5, 2020, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Thursday, March 12, 2020. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Friday, March 13, 2020.

- (1) All times refer to Hong Kong local time. Details of the structure and conditions of the Global Offering are set out in “Structure of the Global Offering” in this Prospectus.
- (2) You will not be permitted to submit your application through the **IPO App** or 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 a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m. on the last day for submitting applications, you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, March 5, 2020, the application lists will not open and close on that day. Further information is set out in “How to Apply for Hong Kong Offer Shares — 10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this Prospectus. If the application lists do not open and close on Thursday, March 5, 2020, the dates mentioned in this section may be affected. An announcement will be made by us in such event.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should see “How to Apply for Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this Prospectus for further details.
- (5) The Offer Price is expected to be determined by Thursday, March 5, 2020 but in any event, the expected time for determination of the Offer Price will not be later than Monday, March 9, 2020. If, for any reason, the Offer Price is not agreed between the Joint Representatives, on behalf of the Underwriters, and our Company by Monday, March 9, 2020, the Global Offering will not proceed and will lapse.
- (6) Share certificates for the Hong Kong Offer Shares will become valid certificates of title at 8:00 a.m. on Friday, March 13, 2020, provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates or before the Share certificates become valid certificates do so entirely at their own risk.
- (7) e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund check.
- (8) Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required on their Application Forms may collect any refund check(s) and/or Share certificate(s) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, March 12, 2020. Applicants being individuals who apply for 1,000,000 Hong Kong Offer Shares or more and are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Offer Shares or more and are eligible for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the

EXPECTED TIMETABLE

- corporations' chop. Identification and (where applicable) authorization documents acceptable to our Hong Kong Share Registrar must be produced at the time of collection.
- (9) Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Forms may collect their refund check(s), where applicable, in person but may not collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund check(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.
- (10) Applicants who apply for Hong Kong Offer Shares via **HK eIPO White Form** should see "How to Apply for Hong Kong Offer Shares — 13. Refund of application monies" in this Prospectus.
- (11) Uncollected Share certificate(s) and refund check(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant applications. Further details are set out in "How to Apply for Hong Kong Offer Shares — 14. Despatch/collection of share certificates and refund monies" in this Prospectus.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by China Bright Culture Group solely in connection with the Hong Kong Public Offering 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 a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or 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 authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering. Information contained in our website, located at www.sinozsw.com, does not form part of this Prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section entitled “Risk Factors” in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a rapidly growing independent producer of variety programs in China. In a highly fragmented industry of more than 18,000 companies licensed to operate, we were the 8th largest independent producer of variety programs in China with a 0.6% share of the variety program market in terms of 2018 revenue, with the largest not exceeding 3%, according to the F&S Report. Our variety program revenue growth rate from 2017 to 2018 was one of the highest among the twenty largest industry participants, according to the same source.

We are a video program producer, by which we mean we develop, market, produce and distribute video content (such as variety programs and drama series) for media platforms (including TV networks and online video platforms). Historically, TV networks developed the content for, produced and marketed television programs, which remains the case to a large extent today, particularly for the bigger-budget primetime programs. Many of our competitors do not have content development capabilities and primarily focus on labor-intensive aspects of program production. In contrast, we focus on the high-value segments of the industry value chain — we develop our own program content and generally retain intellectual property rights on that content; we bring corporate sponsors and other advertisers to TV networks and other media platforms instead of relying solely on media platforms to attract advertisements for our programs; and we oversee the production process through our in-house directors and producers to ensure the high quality of our programs.

We believe our business model gives us a competitive advantage over industry peers and enables us to collaborate with top Satellite TV Networks in China and attract advertisements from well-known domestic and international brands. During the Track Record Period and up to the Latest Practicable Date, all of our programs were aired on leading TV networks in China, including Jiangsu Satellite TV, Anhui Satellite TV and Shenzhen Satellite TV, as well as leading online video platforms, including iQIYI, Tencent Video and Sohu Video. Our corporate sponsors include well-recognized brands such as Unilever, BYD and Gree Electronics. The quality of our programs is also evidenced by their audience reception. Our first program, “Hello Food” (誰是你的菜), reached number one in ratings at its time slot only five weeks after it first aired, and was on the air for three years. Our “Hello! Interviewer” (你好！面試官) is a long-running variety program that has been on the air since 2017, and we are in negotiations to release new seasons in 2020. After a successful first season of “Hey! Let’s Sing” (嗨！唱起來), we have entered into definitive contracts for season 2 to be released in 2020, and are in negotiations for season 3 to be released in 2020.

Our ability to implement our distinctive business model and our well-established relationships with leading media platforms have helped us build a robust program pipeline. As of the Latest Practicable Date, we released six programs after the Track Record Period and expect to release 18 programs in 2020, with a total estimated cost of RMB1,706.6 million. During the Track Record Period, we primarily focused on TV variety programs. In addition to TV variety programs, we are rapidly diversifying our pipeline in terms of program format (e.g., TV drama series) and media format (e.g., made-for-internet movies and drama series and short-form videos).

During the Track Record Period, we derived a significant portion of our revenue from a limited number of programs. However, there is no guarantee that our programs would be broadcast on schedule or would not be canceled as delay in broadcasting or cancellation of a program may be due to a number of reasons, many of which are beyond our control. There is also no guarantee that the contracts in relation to these programs would not be terminated or materially altered to our detriment. Any delay in broadcasting, cancellation of these programs or early termination of our involvement in these programs could materially and adversely impact our business, financial condition and results of operations. Our revenue and profit may therefore be volatile. For risks relating to our program pipeline, see “Risk Factors — Risks Relating to Our Programs.”

We are a young company led by a visionary founder, Mr. Liu, who spearheads our growth. Mr. Liu is supported by other members of our senior management team, including Ms. Chen Jia (陳佳), our vice president responsible for overseeing our daily business operations, and Ms. Cheng Cang (程藏), our director of content production. We believe our management team strikes an ideal balance between being young and experienced, both of which are crucial to entrepreneurial success in the media industry. Our

SUMMARY

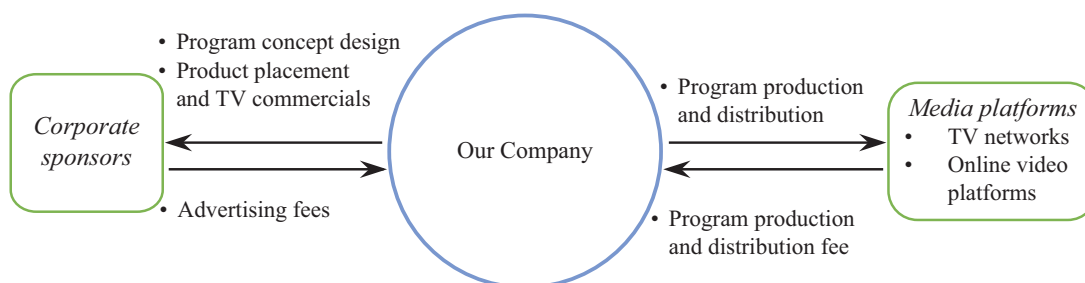
young management team is highly in tune with the latest market trends and preferences, enabling us to strategically focus on high potential media genres and develop high quality content. Moreover, with a fresh and innovative mindset, our management team has developed a distinctive business model focused on content development and marketing, which we believe has been key to our business growth. At the same time, having devoted almost their entire career to the media industry, Mr. Liu and our senior management team have accumulated extensive industry experience and developed strong business relationships and networks with media platforms, advertisers and other industry players, which have enabled us to capitalize on attractive business opportunities and rapidly grow our business in our short few years of operations. In particular, while Mr. Liu served as brand director of Zhongguang Chuanhua Film and Television Culture Consulting Co., Ltd. (中廣傳華影視文化諮詢有限公司), which operates the China Radio, Film and TV publication affiliated with the NRTA, he gained knowledge and experience in television program development as well as a broad network of contacts in the field. Ms. Chen Jia has also accumulated extensive experience and a robust business network in her approximately 10 years of working in the film and TV industry, including major TV networks including CCTV and Zhejiang Satellite TV.

Our business experienced significant and rapid growth in 2016, 2017, and 2018. During the Track Record Period, we derived a significant portion of our revenue from a limited number of programs. In 2016, 2017 and 2018, we generated revenue from two, four and three programs, respectively. Our revenue increased from RMB127.8 million in 2016 to RMB160.4 million in 2017 and to RMB282.9 million in 2018, or a CAGR of 48.8%. Our profit for the year increased from RMB13.9 million in 2016 to RMB56.1 million in 2017 and to RMB85.7 million in 2018, or a CAGR of 148.7%. Our revenue and profit were RMB222.7 million and RMB46.7 million for the eight months ended August 31, 2019, respectively.

OUR BUSINESS

Our Business Model

Our business model has a two-prong focus on content development and marketing. We operate a standardized and efficient content development process with focused product lines and self-owned intellectual properties to produce programs that fulfill the demand of corporate sponsors and media platforms. We understand that meeting the needs of corporate sponsors and TV networks is critical to the successful release of our programs. To that end, we take into account marketability of a program in the early stages of development. By creating attractive program content, we procure corporate sponsors to advertise on our programs and/or purchase TV commercials associated with our programs. The media platforms engage us to produce and distribute programs and share income from advertising sales with us. The following is an illustration of our revenue model. For more information, see “Business — Operating Process” and “Business — Sales and Contracts.”



The nature of our business model determined that a significant portion of our revenue during the Track Record Period was derived from a limited number of programs. However, there is no guarantee that our programs would be broadcast on schedule or would not be canceled as delay in broadcasting or cancellation of a program may be due to a number of reasons, many of which are beyond our control. There is also no guarantee that the contracts in relation to these programs would not be terminated or materially altered to our detriment. Any delay in broadcasting, cancellation of these programs or early termination of our involvement in these programs could materially and adversely impact our business, financial condition and results of operations. Our revenue and profit may therefore be volatile.

Program Portfolio

We have focused our resources on building our experience and capabilities in developing programs in five genres — food, work/career, urban, youth and police/crime. We generated revenue from two, four, three, three and six programs in 2016, 2017 and 2018 and the eight months ended August 31, 2018 and 2019, respectively. During the Track Record Period, we primarily focused on producing TV variety programs, with five released, namely, “Hello Food,” “Super Show,” “Chef in the House,” “Hello!

SUMMARY

Interviewer” and “Hey! Let’s Sing.” We also produced several made-for-internet programs during the Track Record Period. For more information, see “Business — Programs Released During the Track Record Period.” The following table sets forth the components of our content-related revenue by program for the period indicated. For a description of our other sources of revenue, see “Financial Information — Description of Income Statement Line Items — Revenue — Revenue by Source.”

	For the year ended December 31,			For the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands)			(unaudited)	
TV variety programs					
Hello Food (誰是你的菜)	107,702	123,961	—	—	—
Super Show (超級大首映)	15,947	—	—	—	—
Chef in the House (家有廚神)	—	2,453	—	—	—
Hello! Interviewer (你好!面試官)	—	16,255	96,985	74,012	98,742
Hey! Let’s Sing (嗨!唱起來)	—	—	182,884	182,884	—
To Infinity and Beyond (從地球出發)	—	—	—	—	58,641
Oh! My Boss (老總來了)	—	—	—	—	42,453
<i>Subtotal</i>	<i>123,649</i>	<i>142,669</i>	<i>279,869</i>	<i>256,896</i>	<i>199,836</i>
Made-for-internet movie					
Fall of a KOL series (網紅是怎樣倒下的)	—	1,057	1,175	503	4
Made-for-internet drama series					
Beijing Drifters’ Love Story (北漂愛情故事)	—	—	—	—	5,415
Renaissance (鳳唳九天)	—	—	—	—	17,453
<i>Subtotal</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>22,868</i>
Total content-related revenue	123,649	143,726	281,044	257,399	222,708

Program Pipeline

As of the Latest Practicable Date, we released six programs after the Track Record Period, with a total estimated cost of RMB154.4 million. In addition, we expect to release 18 programs in 2020, with a total estimated cost of RMB1,552.2 million, 10 of which we had entered into definitive contracts or LOIs. The following table sets forth details of our releases after the Track Record Period as of the Latest Practicable Date and upcoming releases in 2020 based on our plans as of the Latest Practicable Date.

Estimated release time	Released after Track Record Period		Contracts signed ⁽¹⁾		LOI signed		Internally approved ⁽²⁾		Total		Cost incurred as of the Latest Practicable Date
	No. of programs	Estimated costs	No. of programs	Estimated costs	No. of programs	Estimated costs	No. of programs	Estimated costs	No. of programs	Estimated costs	
		(RMB in millions)		(RMB in millions)		(RMB in millions)		(RMB in millions)		(RMB in millions)	
2019											
TV programs	4	146.9	—	—	—	—	—	—	4	146.9	116.6
Made-for-internet programs	1	5.5	—	—	—	—	—	—	1	5.5	4.6
<i>Subtotal</i>	<i>5</i>	<i>152.4</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>5</i>	<i>152.4</i>	<i>121.2</i>
2020											
TV programs	—	—	3	508.0	3	208.0	5	548.0	11	1,264.0	409.3
Made-for-internet programs	1	2.0	1	14.2	3	147.0	3	127.0	8	290.2	20.0
<i>Subtotal</i>	<i>1</i>	<i>2.0</i>	<i>4</i>	<i>522.2</i>	<i>6</i>	<i>355.0</i>	<i>8</i>	<i>675.0</i>	<i>19</i>	<i>1,554.2</i>	<i>429.3</i>
Total	6	154.4	4	522.2	6	355.0	8	675.0	24	1,706.6	550.5

(1) – (2) See footnotes under the same table in “Business — Releases after the Track Record Period and Upcoming Releases.”

As of the Latest Practicable Date, we had not reached an agreement on the key commercial terms with counterparties for all of our programs expected to be released in 2020, except for (i) “Our Bands”, (ii) “Renaissance”, (iii) “Hello! Interviewer” (Seasons 8-10) and (iv) “Mind the Gap”. Even if we enter into definitive contracts with media platform or corporate sponsor, it may be relatively late in the program development process. Also, programs that we have completed production may not be delivered or broadcast on time. Our revenue and profit may therefore be volatile. In addition, our income is generally program-based and non-recurring in nature and a failure to obtain new contracts could materially affect our financial performance. For risks relating to our program pipeline, see “Risk Factors — Risks Relating to Our Programs — We generated a significant portion of our revenue from a limited number of programs

SUMMARY

during the Track Record Period. Any delay in broadcasting, cancelation of these programs or early termination of our involvement in these programs could materially and adversely impact our business, financial condition and results of operations. Our revenue and profit may therefore be volatile.”, “Risk Factors — Risks Relating to Our Programs — Information on our pipeline programs may not prove to be accurate or indicative of our future results of operations” and “Risk Factors — Risks Relating to Our Programs — Our income is generally program-based and non-recurring in nature and a failure to obtain new contracts could materially affect our financial performance.”

MARKETING AND PRICING

We stay in close contact with key account customers to understand their latest marketing objectives and budget requirements. At an early stage of development, our dedicated marketing team assesses the marketability of program concepts based on extensive industry research, and selects high potential concepts for further development. Our marketing activities are primarily planned and carried out by our marketing team, which had 23 employees as of the Latest Practicable Date.

For our variety programs, our revenue is primarily derived from two sources: TV networks and corporate sponsor clients. For TV networks, list price for TV commercials at any particular time slot for a particular TV network is generally fixed. Therefore, the amount of the total advertising revenue relating to any particular program to be shown in a particular time slot is fairly transparent. Our fees relating to a program depend primarily on the estimated total advertising revenue of the TV network relating to such program, our estimated costs and our target gross margin. Similarly, sponsorship fees are based on the relevant parties’ understanding of the market rate for such fees based on time slots and TV networks. Similarly, for corporate sponsor clients, there is also a generally-accepted market rate for sponsorship fees for top rated TV networks at primetime slots, which determines the range of the sponsorship fee. Negotiation on any particular deal will depend on factors such as the level of exposure the sponsor’s products or brands receive in the program. Our income relating to made-for-internet programs is generally in the form of revenue sharing based on the number of views. For details of our pricing policy for advertisements and sponsorships, see “Business — Sales and Contracts.”

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers generally included (i) TV networks and media platforms that engage us to produce and distribute programs; (ii) advertising agencies that represent the corporate sponsors seeking to promote their products and services through product placements or TV commercials. In addition, in 2018, one of our major customers was Kugou Music, which entered into a licensing and co-producing agreement with us for “Hey! Let’s Sing.” For details of our agreements with customers, see “Business — Sales and Contracts.” In 2016, 2017 and 2018 and the eight months ended August 31, 2019, revenue generated from our five largest customers accounted for 99.0%, 86.8%, 93.8% and 99.0% of our total revenue, respectively. During the Track Record Period, our suppliers generally included (i) production crews; (ii) TV networks and media platforms that provide us with time slots or post-production services; (iii) talent coordination companies; and (iv) marketing companies. In the production of our programs, we engage specialized third parties for a wide range of responsibilities such as lighting, choreography, studio set design, talent coordination, editing, sound, music and other post-production work. In 2016, 2017 and 2018 and the eight months ended August 31, 2019, procurement from our five largest suppliers accounted for 86.7%, 66.0%, 68.6% and 81.8% of our total purchases, respectively.

Due to the nature of our business, some of our largest customers or suppliers during the Track Record Period were also our suppliers or customers, respectively, during the same period. Our Directors confirm that the transactions with overlapping customers and suppliers were on normal commercial terms. Our Directors further confirm, and Frost & Sullivan concurs, that the terms of these transactions were in line with industry norm. For details, see “Business — Customer/Supplier Overlap.”

COMPETITIVE STRENGTHS AND BUSINESS STRATEGY

We believe that the following competitive strengths will enable us to continue to strengthen our market position and ensure our sustainable growth: (i) our current position as a rapidly growing independent producer of variety programs in China; (ii) a distinctive and integrated business model underpinned by a two-prong focus on content development and marketing; (iii) a robust program pipeline with clear visibility; and (iv) our visionary founder with a highly experienced senior management team. Our business strategy includes the following: (i) continue to expand and diversify pipeline portfolio; (ii) explore new sources of potential revenue growth; and (iii) continue building our team to support expansion.

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SUMMARY OF KEY FINANCIAL INFORMATION

Summary Data from Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,						For the eight months ended August 31,			
	2016		2017		2018		2018		2019	
	(RMB in thousands, except percentages of revenue) (unaudited)									
Revenue	127,840	100.0%	160,429	100.0%	282,931	100.0%	259,286	100.0%	222,708	100.0%
Cost of sales	(77,578)	(60.7)	(71,123)	(44.3)	(166,978)	(59.0)	(156,758)	(60.5)	(132,203)	(59.4)
Gross profit	50,262	39.3	89,306	55.7	115,953	41.0	102,528	39.5	90,505	40.6
Profit before income tax	18,517	14.5	57,279	35.7	90,340	31.9	68,568	26.4	62,114	27.9
Profit for the year/period	13,864	10.8	56,083	34.9	85,733	30.3	70,436	27.2	46,737	21.0
Attributable to:										
Equity shareholders of our Company	13,864	10.8	56,212	35.0	86,258	30.5	70,961	27.4	46,737	21.0
Non-controlling interests	—	—	(129)	(0.1)	(525)	(0.2)	(525)	(0.2)	—	—
Items that may be reclassified subsequently to profit or loss:										
Exchange differences on translation into presentation currency of the Group	—	—	—	—	—	—	—	—	2,183	1.0
Total comprehensive income for the year/period	13,864	10.8%	56,083	34.9%	85,733	30.3%	70,436	27.2%	48,920	22.0%

Revenue Model

During the Track Record Period, we primarily derived revenue related to the content (including both TV programs and made-for-internet programs) that we developed, marketed, produced and distributed. We also generated revenue from other services such as program production, marketing and promotion and sale of intellectual property rights. Compared to the programs from which we generate content-related revenue, we did not hold investment entitlement in programs under other services. Our content-related revenue primarily consisted of:

- revenue from media platforms, representing (i) fees for the production and distribution of our programs; and (ii) sale of the majority interest in intellectual property rights associated with “Hey! Let’s Sing”, which were recognized at a point in time upon our delivery (i.e. transfer) and the subsequent acceptance by media platform of the program master tape.
- revenue from our corporate sponsors (i) for advertising (including both product placement advertising and TV commercials), which was recognized on a straight-line basis over the program broadcast period; and (ii) revenue from out-licensing of intellectual properties, which was recognized on a straight-line basis over the period that our obligation is satisfied and when the right to receive payment is established. Also included is the advertising revenue paid to us by the media platform for “Hey! Let’s Sing” pursuant to our revenue sharing arrangement with the media platform, which was recorded as revenue from corporate sponsors due to its nature and recognized at a point in time after the broadcast of a program is completed.

The following table sets forth the components of our revenue by source for the period indicated.

	For the year ended December 31,			For the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands) (unaudited)				
Content-related					
Media platforms	59,071	82,519	221,772 ⁽¹⁾	198,406	210,916
Corporate sponsors	64,578	61,207	59,272 ⁽²⁾	58,993	11,792
Subtotal	123,649	143,726	281,044	257,399	222,708
Others					
Program production ⁽³⁾	—	6,604	—	—	—
Marketing and promotion ⁽⁴⁾	4,191	194	—	—	—
Sales of intellectual property rights ⁽⁵⁾	—	9,905	1,887	1,887	—
Subtotal	4,191	16,703	1,887	1,887	—
Total	127,840	160,429	282,931	259,286	222,708

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(1) - (5) See footnotes under the same table in “Financial Information — Description of Income Statement Line Items — Revenue — Revenue by Source.”

We experienced a decrease in revenue from corporate sponsors for the eight months ended August 31, 2019 compared to the same period in 2018. In the eight months ended August 31, 2019, the substantial majority of our revenue from corporate sponsors was related to “Hello! Interviewer”. We had not begun to recognize advertising revenue from corporate sponsors for programs such as “Oh! My Boss” and “To Infinity and Beyond” even though we recognized production and distribution revenue from these programs during this period because we generally begin to recognize advertising revenue from corporate sponsors after a program is broadcast. In contrast, for the eight months ended August 31, 2018, we recognized approximately RMB59.0 million in advertising revenue primarily from “Hello! Interviewer” and “Hey! Let’s Sing”, and substantially all of the episodes of “Hello! Interviewer” had been released during this period. The different timing in revenue recognition does not itself have a significant impact on the fluctuation of our revenue. Rather, the fluctuation of our revenue was primarily due to differences in the broadcast schedule of our programs, which in turn, resulted in a decrease in our gross profit for the eight months ended August 31, 2019.

Cost Structure

Our cost of sales primarily related to (i) production costs, which represent outsourcing costs primarily for photography, choreography, lighting, sound, equipment rental, stage setup and other production overheads; (ii) post-production costs, which include costs on program editing and visual effects; (iii) fees for celebrity appearances on our programs; and (iv) time slot purchase fees paid to TV networks. Our cost of sales may vary significantly from program to program depending on our budget, the media platform, corporate sponsors and commercial negotiations. The composition of our cost of sales may also vary due to these factors. The following table sets forth the components of our cost of sales by nature for the period indicated.

	For the year ended December 31,						For the eight months ended August 31,			
	2016		2017		2018		2018		2019	
	(RMB in thousands, except percentages)									
	(unaudited)									
Content-related										
Production costs	26,037	33.6%	24,055	33.8%	112,737	67.5%	106,755	68.1%	121,631	92.0%
Post-production costs	14,151	18.2	11,405	16.0	10,251	6.1	6,876	4.4	3,408	2.6
Fees for celebrities	23,113	29.8	23,775	33.4	8,625	5.2	8,012	5.1	3,490	2.6
Time slot purchase fees	11,792	15.2	—	—	28,302	16.9	28,302	18.1	—	—
Miscellaneous ⁽¹⁾	1,042	1.3	1,073	1.5	1,268	0.8	1,018	0.6	3,674	2.8
<i>Subtotal</i>	<i>76,135</i>	<i>98.1</i>	<i>60,308</i>	<i>84.8</i>	<i>161,183</i>	<i>96.5</i>	<i>150,963</i>	<i>96.3</i>	<i>132,203</i>	<i>100.0</i>
Others⁽²⁾	1,443	1.9	10,815	15.2	5,795	3.5	5,795	3.7	—	—
Total	77,578	100.0%	71,123	100%	166,978	100.0%	156,758	100.0%	132,203	100.0%

(1) - (2) See footnotes under the same table in “Financial Information — Description of Income Statement Line Items — Cost of Sales.”

Gross Profit and Gross Profit Margin

We released a few programs in each period during the Track Record Period, and as a result, our overall gross profit and gross profit margin for each period is largely affected by the mix of programs released during that period. The gross profit and gross profit margin of our programs may vary based on the scale, format and cost structure of the programs and our responsibilities with respect to the programs based on commercial negotiations. For example, programs that are not designed to have celebrity appearances may have relatively higher gross profit margins, as was the case with “Hello! Interviewer” in 2017. Later seasons of a program may experience higher gross profit margins than the first season. For instance, “Hello Food” in 2017 had higher gross profit margins than in 2016 due to a combination of increasing pricing power for later seasons and cost savings related to the studio set constructed for “Hello Food” in 2017. The scope of responsibilities we undertake may also affect gross profit, such as “Hey! Let’s Sing” in 2018, which had a lower gross profit margin because it was a large-scale program with higher costs associated with celebrity guests, studio set design and post-production editing. The following table sets forth our gross profit and gross profit margin by revenue source and by type of program for the period indicated.

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	For the year ended December 31,						For the eight months ended August 31,			
	2016		2017		2018		2018		2019	
	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
	(RMB in thousands, except in percentages) (unaudited)									
Content-related										
TV programs	47,514	38.4%	82,964	58.2%	120,594	43.1%	107,841	42.0%	89,356	44.7%
Made-for-internet programs	—	—	454	43.0	(733)	(62.4)	(1,405)	(279.3)	1,149	5.0
Content-related gross profit/gross profit margin	47,514	38.4	83,418	58.0	119,861	42.6	106,436	41.4	90,505	40.6
Others	2,748	65.6	5,888	35.3	(3,908)	(207.1)	(3,908)	(207.1)	—	—
Total gross profit/overall gross profit margin	50,262	39.3%	89,306	55.7%	115,953	41.0%	102,528	39.5%	90,505	40.6%

During the Track Record Period, we incurred gross losses on two made-for-internet programs primarily because the relevant costs were recognized when the program was released and such costs exceeded revenue generated from these programs, which, pursuant to our revenue sharing arrangements, was determined based on the number of views after the programs were released. We also recorded a gross loss in relation to our other services in 2018 primarily because we incurred some costs on preliminary preparation for a program which we subsequently decided not to proceed with. See “Financial Information — Description of Income Statement Line Items.”

Summary Data from Consolidated Statements of Financial Position

	As of December 31,			As of August 31, 2019
	2016	2017	2018	
	(RMB in thousands)			
Non-current assets	4,792	17,430	11,865	23,390
Current assets	118,613	225,363	359,704	613,423
Current liabilities	87,547	51,958	83,814	152,612
Net current assets	31,066	173,405	275,890	460,811
Non-current liabilities	412	8,306	5,839	12,862
Net assets	35,446	182,529	281,916	471,339

In 2016, 2017 and 2018, and the eight months ended August 31, 2019, our current asset increased significantly, primarily attributable to (i) the increase in the trade receivables from RMB109.3 million as of December 31, 2016 to RMB375.7 million as of August 31, 2019, due to the long aging periods with our TV network customers, who are stated-owned with low credit default risks. For details relating to increase in trade receivables, see “Financial Information — Trade Receivables”, and (ii) the increase in program copyrights from nil as of December 31, 2016 to RMB170.1 million as of August 31, 2019, due to the continued growth of our pipeline of new programs under production. For details relating to increase in program copyrights, see “Financial Information — Program Copyrights”.

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Summary Data from Consolidated Cash Flow Statement

	As of/for the years ended December 31,			As of/for the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands) (unaudited)				
Operating cash flow before movements in working capital	34,708	71,367	107,232	97,926	66,913
Changes in working capital	(66,958)	(111,146)	(99,108)	(111,179)	(237,075)
Income tax paid	(21)	(7,238)	(1,338)	(1,338)	(2,767)
Net cash (used in)/generated from operating activities	(32,271)	(47,017)	6,786	(14,591)	(172,929)
Net cash (used in)/generated from investing activities	(414)	3,471	(442)	(149)	(429)
Net cash generated from/(used in) financing activities	31,361	64,446	36,799	24,890	154,351
Net (decrease)/ increase in cash and cash equivalents	(1,324)	20,900	43,143	10,150	(19,007)
Cash and cash equivalents at the beginning of the year/period	1,649	325	21,225	21,225	64,368
Effect of exchange rate fluctuations on cash held	—	—	—	—	2,183
Cash and cash equivalents at the end of the year/period	325	21,225	64,368	31,375	47,544

We had net cash used in operating activities of RMB32.3 million, RMB47.0 million, RMB14.6 million and RMB172.9 million in 2016 and 2017 and the eight months ended August 31, 2018 and 2019, respectively. We recorded net cash used in operating activities primarily due to the following factors:

- Significant trade receivables with long turnover days.* We recorded significant trade receivables from customers. Our customers generally have contractual credit periods of 30 days to 90 days. Many of our largest customers are leading TV networks in China. In practice, due to the lack of bargaining power, we normally extend the settlement period for trade receivable for our major customers, namely, some leading TV networks in China. In 2016, 2017 and 2018 and the eight months ended August 31, 2019, the turnover days of our trade receivables were approximately 202 days, 276 days, 218 days and 316 days, respectively. Our trade receivable turnover days increased from 218 days in 2018 to 316 days for the eight months ended August 31, 2019 primarily due to seasonality, as our customers, including corporate sponsors and media platforms, generally settle a higher proportion of trade receivables in the fourth quarter of the year. Our trade receivables with long aging periods are generally attributable to TV networks. In general, TV networks in China are state-owned with low credit default risks. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any default in payment from state-owned TV networks as there had been no disputes as to the amounts due and their obligation to pay, and these networks generally have strong financial positions and the ability to pay. The long settlement period, according to the F&S Report, is not uncommon among suppliers to TV networks in China.
- Significant program copyrights.* Our cash outflow from operating activities was also due to our significant program copyright. Our program copyright turnover days increased from six days in 2016 to 44 days in 2017, 89 days in 2018 and further to 216 days for the eight months ended August 31, 2019. Such increase was primarily due to the continued growth of our pipeline of new programs under production. Our program copyright turnover days increased from 2016 to 2017 primarily because (i) we began to incur costs for “Beijing Drifters’ Love Story” in May 2017, and such program was released in February 2019; and (ii) we completed production of “Hello! Interviewer” season 1 but had not delivered the master tape for certain episodes in 2017, resulting in an increase in program copyrights we recorded. Our program copyright turnover days further increased in 2018 because we engaged in the program development for “The Taste of Time” season 1, “Urban Hero — The Stories at a Police Station” and “Mind the Gap”, which were not released in 2018 and therefore were recorded as program copyrights. Our program copyright turnover days increased significantly for the eight months ended August 31, 2019 because we are generally in the process of producing programs at this time of year, such as “Mind the Gap” and “Our Bands”, while certain other programs such as “The Taste of Time” and “Urban Hero — The Stories at a Police Station” were scheduled to be released after August 31, 2019 and remained in our program copyrights.

We may continue to experience net cash outflow from operating activities going forward. See “Risk Factors — Risks Relating to Our Financial Performance — We have recorded negative operating cash flows in 2016, 2017, and the eight months ended August 31, 2019.”

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We believe we will be able to improve our cash flow through continuing operations and have sufficient working capital based on the below:

- *Cash from operations.* We expect to continue to expand our program pipeline, which translates into more cash to be generated from operations on a gross basis. A growing program pipeline may also reduce our reliance on a limited number of media platform and corporate sponsor customers to settle trade receivables, potentially decreasing the effect of the pace and timing of program development and release on cash flow from operations;
- *Additional loan facilities.* As of December 31, 2019, we had unutilized loan facilities of RMB119.0 million. In addition, we were in the process of obtaining a RMB50.0 million bank loan facility from a PRC commercial bank, which we expect to be confirmed in the first quarter of 2020. We were also negotiating with two other PRC commercial banks for a potential loan facility of RMB100.0 million and other loan facilities. We have also obtained loan facilities for specific purposes, such as for the production of “Oh! My Boss.” We believe that we would not have any material difficulty in obtaining additional loan facilities in the future if necessary;
- *Extension of bank borrowings.* As of December 31, 2019, we had total outstanding bank borrowings of approximately RMB111.0 million. Considering the long-term business relationship with the relevant banks and historical record of repayment, we do not expect to have any material difficulty in extending such borrowings, if needed;
- *Inviting investors for pipeline programs.* We may consider inviting partners to co-invest in our pipeline programs, which will allow us to obtain upfront funding. During the Track Record Period, we sold minority stakes in two programs, namely, “Urban Hero — The Stories at a Police Station” and “To Infinity and Beyond”, to investors and we may continue to do so in the future where appropriate; and
- *Global offering proceeds.* We expect to receive net proceeds of approximately HK\$1,042.2 million from the Global Offering (assuming an Offer Price of HK\$2.81 per Share, being the mid-point of the indicative Offer Price range stated in the Prospectus, and no exercise of the Over-allotment Option), which is expected to improve our cash flow position.

Key Financial Ratios⁽¹⁾

	As of/ for the year ended December 31,			As of/ for the eight months ended
	2016	2017	2018	August 31, 2019
Return on average equity	52.9%	51.5%	36.9%	NM
Return on average assets	16.3%	30.6%	27.9%	NM
Current ratio	1.35	4.34	4.29	4.02
Quick ratio	1.35	4.01	3.52	2.90
Gearing ratio	—	11.0%	10.6%	7.4%

(1) See “Financial Information — Key Financial Ratios” for the calculation methods.

OUR INDUSTRY

We believe the key characteristics of the video content industry in China include the following:

- *Continued growth of the video content market.* The video content market experienced steady growth from RMB124.5 billion in 2014 to RMB241.9 billion in 2018 at a CAGR of 18.1%, in terms of total revenue generated by video content programs. The market is expected to reach RMB541.7 billion in 2023, growing at a CAGR of 17.5% from 2019 to 2023.
- *Fragmented market with fierce competition.* The industry is highly fragmented with over 18,000 companies licensed to operate. The top 20 independent variety program producers in China held in aggregate 12.2% market share in 2018, with the largest not exceeding 3%. Competition for such a limited number of time slots is fierce.
- *TV variety and drama series markets — continuing overall growth and focus on quality.* The market size of TV variety programs in China by revenue increased from RMB26.9 billion in 2014 to RMB34.0 billion in 2018 at a CAGR of 6.0%, and is expected to increase to RMB48.9 billion in 2023. The market size of TV drama series in China, in terms of total revenue generated from TV drama series, increased from RMB59.3 billion in 2014 to RMB94.9 billion in 2018 at a CAGR of 12.5%, and is expected to increase to RMB165.8 billion in 2023 at a CAGR of 11.6%.

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- *Made-for-internet content — key growth driver.* Made-for-internet content has been and is expected to continue to be a key growth driver for the overall video content market. Advertising revenue for online video platforms increased significantly from RMB9.5 billion in 2014 to RMB49.2 billion in 2018, at a CAGR of 50.8%, and is expected to reach RMB148.1 billion in 2023, at a CAGR of 21.6% from 2019 to 2023.
- *Independent variety program producers — strong prospects in a highly competitive and fragmented market.* More TV programs are being developed and produced by independent producers of TV programs due to government policy of separating production and broadcasting of TV programs, with independent program producers with integrated capabilities being preferred by TV networks.
- *Satellite TV Networks — gaining prominence with increasing dominance by top players.* China's Satellite TV Networks have one of the highest viewership ratings among TV networks in China, accounting for approximately 28% to 30% of TV ratings during the Track Record Period, which is comparable with the ratings of CCTV, the predominant state TV network in the PRC.
- *Weekend primetime — most attractive for advertisers.* Viewership is generally higher for TV programs broadcast during weekend primetime. The average amount of time per capita spent on watching TV programs at primetime on Fridays, Saturdays and Sundays was significantly higher than at the same time slot on Mondays through Thursdays. This makes the weekend primetime slots the most attractive to large advertisers.

For data sources and more information, see “Industry Overview.”

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Capitalization Issue and the Global Offering, our Controlling Shareholders will be collectively interested in and control an aggregate of 46.43% of the total issued share capital of our Company, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme. See “Relationship with Controlling Shareholders” for further details.

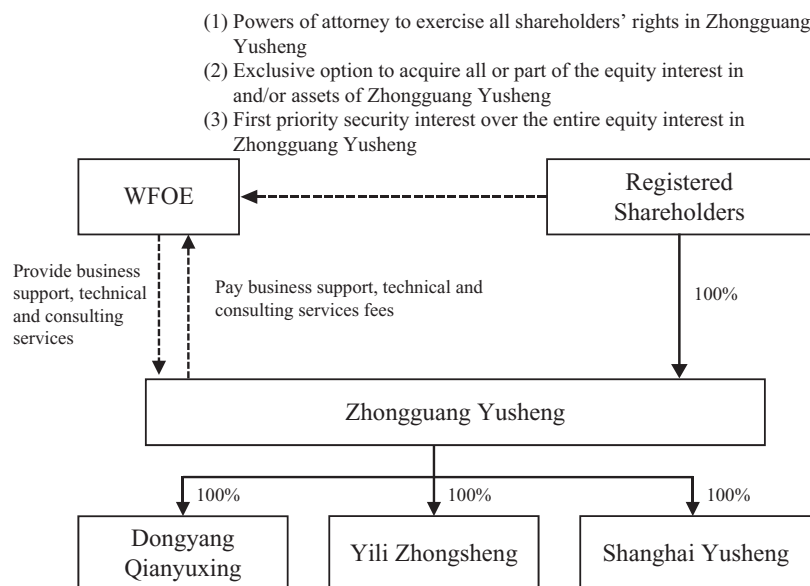
PRE-IPO INVESTMENTS

We introduced a total of 14 institutional and individual Pre-IPO Investors during the Track Record Period and up to the Latest Practicable Date. For details of our Pre-IPO Investments, see “History, Reorganization and Corporate Structure.”

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CONTRACTUAL ARRANGEMENTS

We currently conduct the business of production and distribution of radio and television programs through our PRC Operating Entities in the PRC. Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting the business of production and distribution of radio and television programs in the PRC. For details, see “Regulatory Overview — Regulations in Relation to Production and Distribution of Radio and Television Programs.” As a result, we entered into the Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our PRC Operating Entities and consolidated their results of operations into those of our Group. For details, see “Contractual Arrangements.” The following simplified diagram illustrates the key aspects of the Contractual Arrangements:



RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE CONFIRMATION

Starting in January 2020, in response to the coronavirus outbreak in China, the PRC government has introduced a series of measures, such as extending the Chinese New Year holiday and encouraging residents to work from home, in efforts to contain the outbreak. Business activities in China have also been temporarily disrupted. The Television Production Committee of China Federation of Radio and Television Associations (中國廣播電視社會組織聯合會電視製片委員會) and Cast Committee of China Federation of Radio and Television Associations (中國廣播電視社會組織聯合會演員委員會) have advised all participants in our industry to suspend production activities during the coronavirus outbreak. As of the date of this Prospectus, the impact of the coronavirus outbreak on our business and program pipeline has been relatively minimal, considering that (i) due to the nature of our business and consistent with prior years, the level of program development and production activities is relatively low in the first quarter of the year and increases beginning in the second quarter, and therefore in the first quarter, we have been gradually completing production of ongoing programs and none of our pipeline programs for 2020 were scheduled to commence production until late March of 2020; (ii) for the programs that we planned to commence production in late March 2020, out of prudence, we have adjusted their production schedules and intend to release the relevant programs within 2020, and such delay should not have a material impact on our 2020 financial results; (iii) we have released “The Taste of Time” in November 2019 and completed production of “Mind the Gap” in January 2020 and can finish the remaining editing work remotely, which were programs which had significant program copyrights as of August 31, 2019; (iv) for the two programs expected to be released in the first quarter of 2020, namely, “Renaissance” and “Our Bands”, we have delivered all the master tapes for “Renaissance” and some of the master tapes for “Our Bands”, and as of the date of this Prospectus, we had not received any notice from the relevant media platform to delay the broadcast of such programs; (v) due to the nature of our business, crucial aspects of our work, such as content development and marketing, can be conducted remotely, and our employees have been able to work remotely to advance our projects as planned; (vi) we are an asset-light company and other than costs relating to our programs, our monthly fixed costs, such as staff costs and rent, are relatively low; and

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(vii) although the operations of our customers and suppliers may have been affected by the coronavirus outbreak, such as requiring employees to work from home, extending Chinese New Year holiday and temporarily suspending operating activities, we have not experienced any material negative impact on our operations.

We cannot foresee when the temporary disruptions of business activities caused by the coronavirus outbreak will cease. We also cannot guarantee that the coronavirus outbreak will not worsen or have a material and adverse effect on our program pipeline, business operations and financial results. See “Risk Factors — Risks Relating to Our Operations — We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.” If we are unable to commence production of, deliver the master tapes of or broadcast these programs or any other programs in our pipeline as scheduled due to the coronavirus outbreak, we believe we would not be in breach of contracts with media platforms and corporate sponsors as the coronavirus outbreak is a force majeure event, which is generally covered under our contracts. However, we would not be able to recognize any revenue from these programs as expected, which will have a material impact on our results of operations. In the worst case where we are unable to commence production of, or otherwise advance, our pipeline programs, based on our cash and bank balance, the anticipated level of trade receivable collection, our available and expected banking facilities and anticipated trade payables settlement, borrowings and monthly fixed costs, such as staff costs, interest expenses, and rent, we believe that we will have sufficient working capital for our business over the next 12 months from the date of the Prospectus. In addition, the local PRC government has implemented a series of policies and measures to help enterprises during the outbreak, and our Directors believe that some of these measures, such as loan extension and renewal policies, may help our business during the outbreak.

To contain the coronavirus outbreak, we had extended the Chinese New Year holiday until February 24, 2020. Before February 24, 2020, we encouraged our employees to work from home and instructed all employees to undergo a 14-day self-imposed quarantine upon returning to Beijing. During the remote office working period, we closely monitored all employees’ health conditions and instructed all employees to file the daily temperature record. Furthermore, we instructed all employees to follow good hygiene practices, promptly report any issue of concern, and make constructive suggestions about hygiene issues. Since resuming normal business operations, we have implemented a series of measures to maintain our hygienic working environment, including (i) cleaning and disinfecting office areas with disinfectant every four hours; (ii) requiring employees to measure body temperature, disinfect hands and wear surgical masks before entering the office; (iii) if any employee has a body temperature over 37.5 degrees Celsius or influenza-like symptoms, arranging him or her to seek medical help and self-quarantine; (iv) providing employees with surgical masks and hand sanitizer, if needed; (v) adopting flexible working arrangements to reduce the risk of infection, such as flexible worksites (such as telecommuting) and flexible work hours (such as staggered shifts); and (vi) limiting non-essential business travel to the affected regions and cities. Going forward, we will closely monitor the coronavirus outbreak, assess its potential impact on our business and form contingency plans and additional precautionary measures as necessary to minimize the effect of the outbreak on our business and protect our employees.

Our Directors confirm that there has been no material and adverse change in our financial, operational or trading positions or prospects since August 31, 2019, being the date our consolidated financial statements as set out in “Appendix I — Accountants’ Report” of this Prospectus, and up to the date of this Prospectus.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that the Global Offering is completed and 400,000,000 Shares are issued in the Global Offering and the Over-allotment Option is not exercised.

	Based on an Offer price of HK\$2.25 per share	Based on an Offer price of HK\$3.37 per share
Market capitalization of our Shares ⁽¹⁾	HK\$3,600 million	HK\$5,392 million
Unaudited pro forma adjusted net tangible asset value per Share ⁽²⁾	HK\$0.72	HK\$1.00

(1) The calculation of market capitalization is based on 1,600,000,000 Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised.

(2) The unaudited pro forma adjusted net tangible asset per Share is calculated after making adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information.”

SUMMARY

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,042.2 million, after deducting underwriting commissions and estimated expenses payable by us in the Global Offering, and assuming an Offer Price of HK\$2.81 per Share, being the mid-point of the indicative Offer Price range stated in this Prospectus. We intend to apply these net proceeds for the following purposes: (i) approximately 85%, or HK\$885.9 million, will be used to fund the development of our pipeline programs expected to be released in 2020 and, to a lesser extent, in 2021; (ii) approximately 5%, or HK\$52.1 million, will be used to expand our team to support our business expansion; and (iii) approximately 10%, or HK\$104.2 million, will be used for our working capital and general corporate purposes. See “Future Plans and Use of Proceeds.”

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2019

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

Estimated consolidated profit attributable to equity shareholders of the Company for the
year ended December 31, 2019⁽¹⁾ Not less than RMB100.0 million

- (1) The basis on which the above estimate has been prepared is set out in Appendix IIA in this Prospectus. Our Directors have prepared the estimated consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2019 based on (i) the audited consolidated results of our Group for the eight months ended August 31, 2019; and (ii) the unaudited consolidated results based on the management accounts of our Group for the four months ended December 31, 2019.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB73.5 million (equivalent to HK\$81.8 million) (including underwriting commission), or approximately 7.3% of the gross proceeds from the Global Offering (assuming mid-point of the indicative Offer Price range stated in the Prospectus). For the eight months ended August 31, 2019, approximately RMB9.0 million was charged to our consolidated statements of profit or loss as general and administrative expenses. After August 31, 2019, we expect that approximately RMB24.2 million will be charged to our consolidated statements of profit or loss as general and administrative expenses, and approximately RMB40.3 million will be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such listing expenses to have a material adverse impact on our results of operations for the year ended December 31, 2019.

DIVIDENDS

We currently do not have a dividend policy or a fixed dividend payout ratio. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. For details, see “Financial Information — Dividends.”

RISK FACTORS

There are certain risks in our operations and in connection with the Global Offering, many of which are beyond our control. We believe the most significant risks we face include but not limit to the following: (i) our income is generally program-based and non-recurring in nature and a failure to obtain new contracts could materially affect our financial performance; (ii) our future operations, working capital and cash flow position may be adversely affected if our customers fail or delay to settle payments due to us; (iii) information on our pipeline programs may not prove to be accurate or indicative of our future results of operations; (iv) decline in TV variety programs viewership would affect our revenue and profitability; (v) we generated a significant portion of our revenue from a limited number of programs during the Track Record Period; any delay in broadcasting, cancellation of these programs or early termination of our involvement in these programs could materially and adversely impact our business, financial condition and results of operation; (vi) we may not be able to successfully implement our strategies, or achieve our business objectives; (vii) we face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations; (viii) the PRC Government regulates video content market extensively and we are subject to laws, regulations and government actions based on the video content we operate; (ix) we rely on a limited number of major customers in our business; any interruption in our cooperation with them could materially and adversely impact our business, financial condition and results of operations; and (x) our historical operating results may not be indicative of future earnings. See “Risk Factors” of this Prospectus for details, which you should read carefully and in full before you decide to invest in the Offer Shares.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Industry Terms” in this Prospectus.

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering;
“Articles” or “Articles of Association”	the articles of association of our Company adopted on February 7, 2020, as amended from time to time, a summary of which is set out in “Appendix III — Summary of the Constitution of the Company and Cayman Companies Law” to this Prospectus;
“Beijing Xingwen”	Beijing Xingwen Equity Investment Partnership (Limited Partnership)* (北京興文股權投資合夥企業) (有限合夥), a partially state-owned limited partnership established under the laws of the PRC on January 28, 2019 and a shareholder of Zhongguang Yusheng;
“Board”	the board of directors of our Company;
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong;
“BVI”	the British Virgin Islands;
“CAGR”	compound annual growth rate;
“Capitalization Issue”	the issue of 543,420,696 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and General Information — A. Further Information about our Group — 4. Resolutions in Writing of the Shareholders Passed on February 7, 2020” in Appendix IV to the Prospectus;
“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;

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“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant;
“China Bright Culture BVI”	China Bright Culture (BVI) Limited, a company incorporated under the laws of the BVI with limited liability on May 29, 2019 and wholly-owned subsidiary of our Company;
“China Bright Culture HK”	China Bright Culture Group Holdings Limited (中國煜盛文化控股集團), formerly known as China Bright Culture Group Limited (中國煜盛文化集團), a company incorporated under the laws of Hong Kong with limited liability on June 18, 2019 and a wholly-owned subsidiary of China Bright Culture BVI;
“China” or the “PRC”	People’s Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires otherwise, references in this Prospectus to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan;
“Circular 19”	the Notice on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “Circular 19”) promulgated by SAFE and became effective on June 1, 2015;
“Circular 37”	the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and in Return Investment Via Special Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “Circular 37”) promulgated by SAFE and became effective on July 14, 2014;
“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, supplemented or otherwise modified from time to time;
“Companies Law” or “Cayman Companies Law”	Companies Law (2018 Revision), Cap. 22 of the Cayman Islands, as amended, supplemented or otherwise modified from time to time;

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“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
“Company,” “our Company” or “the Company”	China Bright Culture Group, an exempted company incorporated in the Cayman Islands with limited liability on May 28, 2019;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“connected transaction”	has the meaning ascribed to it under the Listing Rules;
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Zhongguang Yusheng, WFOE and the Registered Shareholders, details of which are described in the section headed “Contractual Arrangements” in this Prospectus;
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Mr. Liu, Double K Limited and Blueberry Culture Limited;
“Copyright Law”	the PRC Copyright Law (Revised in 2010) (《中華人民共和國著作權法（2010年修訂）》), promulgated by SCNPC on September 7, 1990 and came into effect on June 1, 1991 and last amended on February 26, 2010;
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會);
“Deed of Indemnity”	the deed of indemnity dated February 7, 2020 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), pursuant to which our Controlling Shareholders agree to provide certain indemnities, particulars of which are set out in the section headed “Statutory and General Information — D. Other Information — 3. Tax and other Indemnities” in Appendix IV to this Prospectus;
“Director(s)” or “our Director(s)”	the director(s) of our Company;
“Dongyang Qianyuxing”	Zhejiang Dongyang Qianyuxing Video Culture Co., Ltd.* (浙江東陽千雨杏影視文化有限公司), a limited liability company established under the laws of the PRC on August 17, 2016;
“EIT”	enterprise income tax;

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“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time;
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong;
“Foreign Investment Law”	the PRC Foreign Investment Law (《中華人民共和國外商投資法》), adopted by the NPC on March 15, 2019, and became effective on January 1, 2020;
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant commissioned by us;
“F&S Report”	the market research report prepared by Frost & Sullivan and commissioned by us;
“Global Offering”	the Hong Kong Public Offering and the International Offering;
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company;
“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	our Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time or, where the context so 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 eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the IPO App or the designated website 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 IPO App or the designated website at www.hkeipo.hk ;
“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;

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“Hong Kong dollar(s),” “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong Offer Shares”	the 40,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this Prospectus);
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this Prospectus and the Application Forms;
“Hong Kong Securities and Futures Ordinance” or “Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Hong Kong Share Registrar”	Tricor Investor Services Limited;
“Hong Kong Takeovers Code” or “Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time;
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting — Hong Kong Underwriters” in this Prospectus;
“Hong Kong Underwriting Agreement”	the underwriting agreement dated February 27, 2020 relating to the Hong Kong Public Offering entered into by, among other parties, our Company and the Hong Kong Underwriters;
“Huasheng Yihong”	Huasheng Yihong Investment Management Co., Ltd.* (華盛一泓投資管理有限公司), a limited liability company established in the PRC on October 9, 2015;
“IASB”	International Accounting Standards Board;
“IFRSs”	International Financial Reporting Standards;
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company or an associate of any such person within the meaning ascribed to it under the Listing Rules;
“International Offering”	the conditional placing of the International Offering Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S as further described in the section headed “Structure of the Global Offering” in this Prospectus;

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“International Offering Shares”	the 360,000,000 Shares being initially offered for subscription and purchased at the Offer Price under the International Offering, subject to reallocation as described under the section headed “Structure of the Global Offering” in this Prospectus;
“International Underwriters”	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering;
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company and the International Underwriters on or about the Price Determination Date, as further described in the section headed “Underwriting — The International Offering” in this Prospectus;
“IPO App”	the mobile application for HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Jiaxing Datai”	Jiaxing Datai Investment Partnership (Limited Partnership)* (嘉興達泰投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 17, 2015 and a shareholder of Zhongguang Yusheng;
“Joint Bookrunners”	Haitong International Securities Company Limited, BOCOM International Securities Limited, AMTD Global Markets Limited, Guotai Junan Securities (Hong Kong) Limited and Shenwan Hongyuan Securities (H.K.) Limited;
“Joint Global Coordinators”	Haitong International Securities Company Limited, BOCOM International Securities Limited and AMTD Global Markets Limited;
“Joint Lead Managers”	Haitong International Securities Company Limited, BOCOM International Securities Limited, AMTD Global Markets Limited, Guotai Junan Securities (Hong Kong) Limited, Shenwan Hongyuan Securities (H.K.) Limited, Futu Securities International (Hong Kong) Limited, Victory Securities Company Limited, Yue Xiu Securities Company Limited, SBI China Capital Financial Services Limited, Sinomax Securities Limited and Guoyuan Capital (Hong Kong) Limited;
“Joint Representatives”	Haitong International Securities Company Limited and BOCOM International Securities Limited

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“Joint Sponsors”	Haitong International Capital Limited and BOCOM International (Asia) Limited;
“Latest Practicable Date”	February 19, 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication;
“License for Production and Distribution of Radio or Television Programs”	the License for Production and Distribution of Radio or Television Programs (《廣播電視節目製作經營許可證》) issued by provincial counterpart of NRTA, permitting institutions to produce and distribute radio and television programs or engage in the activities of production and distribution of radio and television programs;
“Listing”	the listing of our Shares on the Main Board;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Date”	the date, expected to be on or about March 13, 2020, on which dealings in our Shares first commence on the Main Board;
“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;
“LOI”	letter of intent;
“M&A Rules”	Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which were jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the STA, the SAIC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time;
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes GEM;
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, adopted on February 7, 2020 and as amended from time to time a summary of which is set out in Appendix III in this Prospectus;

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“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部);
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部);
“MOHRSS”	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部);
“Mr. Liu”	Mr. Liu Mu (劉牧), our chairman of the Board, executive Director, chief executive officer and one of our Controlling Shareholders;
“Mubi No.2”	Zhuhai Mubi No.2 Private Equity Investment Fund Management Enterprise (Limited Partnership)* (珠海木筆二號私募股權投資基金管理企業(有限合夥)), a limited partnership established under the laws of the PRC on July 14, 2017 and a shareholder of Zhongguang Yusheng;
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會);
“Negative List 2019”	the Special Administrative Measures for the Admission of Foreign Investment (Negative List) (2019 Edition) (《外商投資准入特別管理措施(負面清單)(2019年版)》) was promulgated by the NDRC and the MOFCOM and became effective on July 30, 2019;
“NPC”	the National People’s Congress (全國人民代表大會);
“NRTA”	the National Radio and Television Administration (中華人民共和國國家廣播電視總局);
“OFAC”	the Office of Foreign Assets Control of the US Department of the Treasury;
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$3.37 and expected to be not less than HK\$2.25, such price to be agreed upon by our Company and the Joint Representatives (on behalf of the Underwriters) on or before the Price Determination Date;
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares;
“Over-allotment Option”	the option to be granted by us to and exercisable by the Joint Representatives, pursuant to which we may be required to

DEFINITIONS

	allot and issue up to an aggregate of 60,000,000 additional Shares (representing 15% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in the section headed “Structure of the Global Offering — Over-allotment Option” in this Prospectus;
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC;
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994 and was last amended on October 26, 2018;
“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them;
“PRC Legal Advisers”	Jingtian & Gongcheng, our legal advisers as to PRC laws;
“PRC Operating Entity(ies)”	the entity(ies) we control through the Contractual Arrangements, being Zhongguang Yusheng and its subsidiaries, Dongyang Qianyuxing, Yili Zhongsheng and Shanghai Yusheng;
“Pre-IPO Investment(s)”	the pre-IPO investments in our Group undertaken by the Pre-IPO Investors, details of which are set out in the section headed “History, Reorganization and Corporate Structure” in this Prospectus;
“Pre-IPO Investors”	Mubi No.2, Jiaying Datai, Xin Dong Neng, Chen Dazhi, Chen Kai, Ren Feng, Ma Zihui, Wu Yeheng, Qin Weilun, Li Zhanrong, Beijing Xingwen, China Zenith Limited, Leading Edge Limited and Cinematic Investment Limited;
“Price Determination Date”	the date, expected to be on or about Thursday, March 5, 2020, and, in any event, not later than Monday, March 9, 2020, on which the Offer Price is to be fixed by agreement between us and the Joint Representatives (on behalf of the Underwriters);
“Prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering;
“Qiankun Hanhai”	Beijing Qiankun Hanhai Capital Investment Management Co., Ltd.* (北京乾坤翰海資本投資管理有限公司), a limited liability company established under the laws of the PRC on August 28, 2015;

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“Registered Shareholders”	Mr. Liu, Mubi No.2, Jiaying Datai, Xin Dong Neng, Chen Dazhi, Chen Kai, Ren Feng, Ma Zihui, Wu Yeheng, Beijing Xingwen, Li Zhanrong and Qin Weilun;
“Regulation S”	Regulation S under the U.S. Securities Act;
“Renminbi” or “RMB”	the lawful currency of the PRC;
“Reorganization”	the corporate reorganization of our Group in preparation for the Listing, particulars of which are set out in the section headed “History, Reorganization and Corporate Structure” in this Prospectus;
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局);
“SAPPRFT”	the State Administration of Press, Publication, Radio, Film and Television (中華人民共和國國家新聞出版廣電總局), predecessor of NRTA;
“SARFT”	the State Administration of Radio, Film and Television (中華人民共和國國家廣播電影電視總局), predecessor of SAPPRFT;
“SCNPC”	the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會);
“SFC”	the Securities and Futures Commission of Hong Kong;
“Shanghai Yingde”	Shanghai Yingde Culture Media Co., Ltd* (上海應得文化傳媒有限公司), a limited liability company established under the laws of the PRC on November 21, 2018 and deregistered on August 2, 2019;
“Shanghai Yusheng”	Shanghai Yusheng Culture Media Co., Ltd* (上海煜盛文化傳媒有限公司), a limited liability company established under the laws of the PRC on December 25, 2018;
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.00001 each;
“Shareholder(s)”	holder(s) of our Share(s);
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on February 7, 2020, a summary of the principal terms and conditions of which is set forth in the section headed “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix IV to this Prospectus;

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“SPV”	special purpose vehicle;
“STA”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局);
“Stabilization Manager”	Haitong International Securities Company Limited;
“State Council”	State Council of the PRC (中華人民共和國國務院);
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilization Manager and Double K Limited pursuant to which the Stabilization Manager or any person acting for it may borrow up to an aggregate of 60,000,000 Shares to cover any over-allocation in the International Offering;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance;
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Track Record Period”	the period comprising the three financial years ended December 31, 2016, 2017 and 2018 and the eight months ended August 31, 2019;
“Underwriters”	the Hong Kong Underwriters and the International Underwriters;
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States;
“U.S. persons”	U.S. persons as defined in Regulation S;
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
“VAT”	value-added tax;
“VIE” or “VIEs”	variable interest entity or variable interest entities;
“WFOE”	Beijing Yusheng Culture Co., Ltd.* (北京煜盛文化有限公司), a company established in the PRC with limited liability on July 15, 2019 and a wholly-owned subsidiary of our Company;

DEFINITIONS

“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/ applicants’ own name;
“Xin Dong Neng”	Ningbo Meishan Bonded Area Xin Dong Neng Zhongguang Investment Partnership (Limited Partnership)* (寧波梅山保稅港區新動能中廣投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on May 4, 2018;
“YELLOW Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS;
“Yili Zhongguang”	Yili Zhongguang Zhuofeng Culture Media Co., Ltd* (伊犁中廣卓豐文化傳媒有限公司), a limited liability company established under the laws of the PRC on August 8, 2017 and deregistered on June 11, 2019;
“Yili Zhongsheng”	Yili Zhongsheng Quanxing Media Co., Ltd.* (伊犁中盛全興影視傳媒有限公司), a limited liability company established under the laws of the PRC on September 8, 2016;
“Yingzhi Asset Management”	Shanghai Yingzhi Asset Management Co., Ltd* (上海應治資產管理有限公司), a limited liability company established under the laws of the PRC on July 1, 2014;
“Zhongguang Yusheng”	Sino-Prosperity Culture Group Co., Ltd.* (北京中廣煜盛文化傳播有限公司), a limited liability company incorporated in the PRC on April 3, 2014.

* For identification purpose only

The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this Prospectus is included for identification purposes only. In the event of any inconsistency between the English translation and/or transliteration and the Chinese versions, the Chinese versions shall prevail.

GLOSSARY OF INDUSTRY TERMS

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

“Anhui Satellite TV”	Anhui Television (安徽衛視), a TV network broadcast from Hefei, Anhui Province;
“average viewership rating”	an index which indicates the audience size of TV programs, refers to the number of audiences of a particular program as a percentage of the total estimated number of audiences during the same time slot;
“Beijing Satellite TV”	Beijing Satellite TV (北京衛視), a TV network broadcast from Beijing;
“Big Five Satellite TV Networks”	the top five non-CCTV satellite TV networks in China in terms of ratings during the Track Record Period, namely, Jiangsu Satellite TV, Zhejiang Satellite TV, Dragon TV, Hunan Satellite TV and Beijing Satellite TV;
“Bilibili”	Bilibili (哔哩哔哩), a video sharing website themed around animation, comic and games, based in China;
“BYD”	a PRC automobile brand;
“CCTV”	China Central Television (中國中央電視台), the predominant state TV network in the PRC;
“Douyin”	Douyin (抖音), a social media short-form video app for creating and sharing short lip-sync, comedy, and talent videos;
“Dragon TV”	Dragon TV (東方衛視), a TV network of Shanghai Media Group (上海文廣新聞傳媒集團), broadcast from Shanghai;
“Gree Electronics”	a PRC air conditioning and household appliance brand;
“Hunan Satellite TV”	Hunan Satellite TV (湖南衛視), a TV network broadcast from Changsha, Hunan Province;
“iQIYI”	iQIYI (愛奇藝), a leading online video platform based in Beijing;
“Jiangsu Satellite TV”	Jiangsu Satellite TV (江蘇衛視), a TV network broadcast from Nanjing, Jiangsu Province;
“Kuaishou”	Kuaishou (快手), a social media short-form video app for creating and sharing short lip-sync, comedy, and talent videos;

GLOSSARY OF INDUSTRY TERMS

“Kugou Music”	Guangzhou KuGou Computer Technology Co., Ltd.* (廣州酷狗計算機科技有限公司), a company established in the PRC with limited liability on February 20, 2006, primarily engaged in digital music services;
“life cycle”	the life cycle of a program commences when the program is first broadcast or released, typically undergoing a growth phase, mature phase and decline phase; for purposes of this Prospectus, life cycle of our programs ends when we believe that we have generated most of the revenue associated with the program;
“Mango TV”	Mango TV (芒果TV), a leading online video platform;
“master tape”	the final tape of a program that is delivered to the media platform for broadcast;
“primetime”	refers to the block of time when audience viewership peaks for programming during a defined period of time. For PRC television, primetime usually means the 19:00 to 23:00 time slot;
“program duration”	the duration of a program generally begins when we begin to incur costs, making first payments to suppliers to produce the program after the program has been internally approved, and lasts through the entire marketing and production stages;
“Satellite TV Networks”	refers to non-CCTV satellite TV networks in China;
“Shenzhen Satellite TV”	Shenzhen Satellite TV (深圳衛視), a TV network owned and operated by Shenzhen Media Group (深圳廣播電影電視集團), broadcast from Shenzhen, Guangdong Province;
“Sohu Video”	Sohu Video (搜狐視頻), a leading online video platform based in Beijing;
“Tencent Video”	Tencent Video (騰訊視頻), a leading online video platform owned by Tencent;
“tie-in merchandise”	a work of fiction or other product based on a media property such as a film, video game, television series, board game, web site, role-playing game or literary property. Tie-ins are authorized by the owners of the original property, and are a form of cross-promotion used primarily to generate additional income from that property and to promote its visibility;
“Unilever”	a British-Dutch transnational consumer goods brand, with products that include food and beverages, cleaning agents, beauty products, and personal care products;

GLOSSARY OF INDUSTRY TERMS

“variety program”	a type of interactive audio-visual video content that can incorporate art forms such as musical performance, sketch comedy and storytelling;
“video program producer”	participants in the video content market who develop, market, produce and distribute video content (such as variety programs and drama series) for media platforms (including TV networks and online video platforms);
“Ximalaya FM”	Ximalaya FM (喜馬拉雅FM), a service website that enables users to share audio and personal radio stations;
“Youku”	Youku (優酷), a leading online video platform based in Beijing;
“Zhejiang Satellite TV”	Zhejiang Television (浙江衛視), a TV network under Zhejiang Radio and Television Group (浙江廣播電視集團), broadcast from Hangzhou, Zhejiang Province.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and information relating to us, our subsidiaries and PRC Operating Entities that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words “aim,” “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “might,” “ought to,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- program description, estimated cost, expected release date and other details related to our upcoming releases;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- our ability to continue to maintain our leadership position in the industry;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- our future debt levels and capital needs;
- the competitive environment of the industry and markets in which we operate;
- certain statements in the sections headed “Business” and “Financial Information” in this Prospectus with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- other statements in this Prospectus that are not historical facts.

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

FORWARD-LOOKING STATEMENTS

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

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

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You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial condition, results of operations and the trading price of our Shares could be materially and adversely affected by any of these risks and uncertainties. Furthermore, other risks and uncertainties not expressed or implied in this section, whether because they not presently known to us or because we deem them immaterial, could also harm our business, financial condition and results of operations.

The most significant risks and uncertainties we face can be categorized into: (i) risks relating to our programs; (ii) risks relating to our industry and regulations; (iii) risks relating to our customers and broadcast channels; (iv) risks relating to our financial performance; (v) risks relating to our operations; (vi) risks relating to our contractual arrangements; (vii) risks relating to conducting business in the PRC; and (viii) risks relating to the Global Offering.

RISKS RELATING TO OUR PROGRAMS

Our income is generally program-based and non-recurring in nature and a failure to obtain new contracts could materially affect our financial performance.

Our programs are generally non-recurring in nature while some may be renewed from season to season based on negotiations among the relevant parties. In general, our engagements with customers, including corporate sponsors and media platforms, are on a project basis. A customer that accounts for a significant portion of our income for a particular period may not generate any income to us in subsequent periods. After the completion of a program, our customers are not obliged to engage us again in the future for new programs or sponsor our future programs. In addition, we may generate one-off income from time to time, such as the advertising agency income of RMB10.4 million we generated in 2018 in a one-off transaction to resell certain TV advertising time slots that we purchased from a satellite TV station to assist the TV station in obtaining advertisers. As such, our revenue and profitability could fluctuate significantly from year to year. We cannot guarantee that we will be able to continue to develop new programs or new seasons of existing programs, continue our business relationship with our existing customers or have one-off income such as advertising agency income from time to time. Our operations and financial condition would be adversely affected if we are unable to develop new programs successfully or secure new customers, which may lead to a decrease in the number of programs in a particular year or period, and in turn, a decrease in revenue.

We generated a significant portion of our revenue from a limited number of programs during the Track Record Period. Any delay in broadcasting, cancelation of these programs or early termination of our involvement in these programs could materially and adversely impact our business, financial condition and results of operations. Our revenue and profit may therefore be volatile.

During the Track Record Period, we derived a significant portion of our revenue from a limited number of programs. We generated revenue from two, four, three, three and six programs in 2016, 2017 and 2018 and the eight months ended August 31, 2018 and 2019, respectively. In 2016, 2017 and 2018 and the eight months ended August 31, 2019, revenue generated from our largest program was approximately RMB107.7 million, RMB124.0 million, RMB182.9 million and RMB98.7 million,

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respectively, which accounted for approximately 84.2%, 77.3%, 64.6% and 44.3% of our total revenue for the same periods, respectively.

Due to the nature of our business, we focus our resources on a limited number of projects each year or period. However, there is no guarantee that our programs would be broadcast on schedule or would not be canceled, or that the contracts in relation to these programs would not be terminated or materially altered to our detriment. Delay in broadcasting or cancelation of a program may be due to a number of reasons, many of which are beyond our control, including, among others, low popularity and viewership of the relevant program and adjustment of broadcasting or event schedules by media platforms or pursuant to governmental policy changes or orders from government authorities. We may incur significant upfront costs before the program is canceled. We generate revenue from some of our made-for-internet programs based on number of views, and historically, we were subject to viewership rating guarantees for some of our programs. During the Track Record Period, all of our programs met the forecasted viewership ratings or number of views. Although viewership rating guarantees may not be enforceable under PRC laws, if our programs do not reach the forecasted number of views in the future, our investment in these programs may not generate anticipated returns. If any of the abovementioned situations were to occur, our business, financial condition and results of operations could be adversely affected. Our revenue and profit may therefore be volatile.

Information on our pipeline programs may not prove to be accurate or indicative of our future results of operations.

In this Prospectus, we have disclosed our program pipeline in 2020 with details such as their estimated costs. See “Business — Releases after the Track Record Period and Upcoming Releases.” For the pipeline programs, we have entered into definitive contracts or LOIs, or have passed our internal project approvals for those without definitive contracts or LOIs. However, as of the Latest Practicable Date, we had not reached an agreement on the key commercial terms with counterparties for all of our programs expected to be released in 2020, except for (i) “Our Bands”, (ii) “Renascence”, (iii) “Hello! Interviewer” (Seasons 8-10) and (iv) “Mind the Gap”.

The program description, estimated costs, expected release date, expected release platform and other information related to our pipeline programs represent our best efforts to describe their status as of the Latest Practicable Date. However, such information may prove to be different from actual outcomes due to a number of factors. For example,

- we may not be able to enter into LOIs or definitive contracts for programs that have passed internal project approvals;
- our signed LOIs may not materialize into definitive contracts with similar terms;
- our signed definitive contracts may not be fully performed in accordance with their terms, or may be amended, modified, altered, terminated, or canceled;
- program content may be subject to change during the production and post-production stages;
- the expected release platform may be subject to change as negotiation advances;
- we may not be able to sell our programs to additional platforms to gain additional revenue;

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- programs that we have completed production may not be delivered on time, or if they are, they may not be broadcast on time, all of which will affect the timing of recognition of revenue;
- our programs may not be completed with the budget or return-on-investment that we anticipated; and
- we may not receive payments on time or at all, even if our programs are broadcast.

Our program pipeline may also be delayed or suspended due to force majeure events, such as the recent coronavirus outbreak in China. For details, see “— We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.” As a result, investors are cautioned not to rely on our program pipeline information presented in this Prospectus as an accurate indicator of our future earnings.

Decline in TV variety programs viewership would affect our revenue and profitability.

Historically, we have focused our resources on TV variety programs. TV variety programs viewership in China has experienced a steady decline in recent years. The average amount of time per capita spent watching TV variety programs per day in China and viewership ratings of TV variety programs decreased from 2016 to 2018 primarily due to the increasing popularity of online video platforms. Since 2015, online video platforms have become an important broadcast channel in China for video content programs due to its unlimited geographical coverage and the increase in number of internet users in China. Eventually, online video platforms are expected to become the dominant broadcast channel and is becoming the preferred choice for audiences. As a result of such decline, the number of TV variety programs decreased accordingly. We cannot assure you that our TV variety programs will achieve strong viewership ratings in the future. If we are unable to achieve strong ratings, it may be difficult for us to secure corporate sponsors or find media platforms for our programs, in which case our revenue and profitability may be negatively affected.

We may be unable to adapt to changing trends in the video content market in China and preferences of corporate sponsors, viewers, and media platforms.

The continued success of our programs depends on our ability to accurately anticipate and identify the needs of corporate sponsors and media platforms, and the taste and preferences of viewers. We have built a track record in anticipating the preferences of viewers by focusing our resources on building our experience and capabilities in developing programs in five genres. We cannot guarantee that we will be able to continue to do so in the future despite our efforts to conduct in-depth market research to design programs for our corporate sponsors and to anticipate the trends of the video content market in the near future. For example, our corporate sponsors may adjust or change their marketing activities based on their needs, and we cannot guarantee that we will be able to offer attractive programs and services that meet these continually-changing needs. Moreover, we cannot guarantee that viewers will continue to prefer the type of media platforms where we broadcast our programs, which have primarily been TV networks historically. For example, according to the F&S Report, viewers are increasingly turning to online video programs, and corporate sponsors will increasingly advertise on online video platforms to capture those viewers. As such, corporate sponsors may reduce the advertising budget allocated to certain types of programs or to TV networks.

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Historically, the majority of our programs were TV variety programs and substantially all of our revenue was generated from these programs. In 2016, 2017, 2018 and the eight months ended August 31, 2019, our revenue generated from TV variety programs amounted to RMB123.6 million, RMB142.7 million, RMB279.9 million and RMB199.8 million, respectively, accounting for 96.7%, 88.9%, 98.9% and 89.7% of our total revenue for the same period, respectively. Although we have had limited success with drama series and other made-for-internet programs, we cannot assure you that such success will continue. If we fail to develop programs that effectively meet the evolving needs and preferences of corporate sponsors, viewers and media platforms, we may experience reduced demand or fail to compete effectively, and we may be required to incur additional costs to hire new directors or other creative personnel in order to develop programs in demand, which would have a material adverse effect on our business and results of operations.

Our operating results may be affected by changes in mix of our program portfolio.

During the Track Record Period, we primarily developed TV variety programs. Going forward, our operating results may be affected by the varying nature and economics of different types of programs we plan to offer in our program portfolio. For example, historically, our revenue from made-for-internet programs had been subject to greater uncertainty as compared to revenue from TV programs because our fee for made-for-internet programs was generally in the form of revenue sharing based on the number of views. We may record losses for programs under such a revenue sharing arrangement and we cannot guarantee that we will be able to negotiate fixed fee contracts in the future. Moreover, as compared to variety programs, TV drama series generally require more financial investment but, on average, offer higher gross profit margins. Our working capital and cash flow position may be adversely affected if the TV drama series is not as successful as we expected. First and later seasons of a program may also have different economics. If a TV variety program is successful in its first season, our corporate sponsors and the TV networks are generally willing to make more investments in the later seasons to continue that success. As a result, the revenue of a program's second season will likely increase from that of its first season. Our costs to produce and distribute later seasons may also fluctuate. As a result of the foregoing, we expect that changes in mix of our program portfolio to affect our operating results from period to period.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Our business could also be under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, the novel coronavirus named COVID-19 by the World Health Organization. In response to the coronavirus outbreak in China, the PRC government has introduced a series of measures. Business activities in China have also been temporarily disrupted. We had extended the Chinese New Year holiday for employees until February 24, 2020 and encouraged them to work from home, in line with policies of the PRC government. While the immediate impact of the coronavirus outbreak on our business and program pipeline have been relatively minimal so far, we cannot guarantee that the coronavirus outbreak will not worsen or the current suspension of operations

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will not continue. Our programs may not be able to be produced as scheduled, at all or at reasonable costs, we may not be able to deliver master tapes or broadcast our programs as planned, we may not be able to collect trade receivables as expected and our negotiations with potential corporate sponsors and media platforms may also be delayed or otherwise affected. If we are unable to commence production of, deliver the master tapes of or broadcast these programs or any other programs in our pipeline as scheduled due to the coronavirus outbreak, we may not be able to recognize revenue from such programs, which will materially and adversely affect our business, financial condition and results of operations. Moreover, the coronavirus outbreak may have a material adverse impact on national and local economies, which may lower the demand for our programs. The coronavirus outbreak may have a material and adverse effect on our business operations and financial results in 2020 and the years after.

Failure to protect our intellectual property rights could have a negative impact on our business, competitive position and prospects.

We operate in an industry that places a premium on creative abilities and artistic talents. Many of our work products resulting from our creative activities are protected by intellectual property rights, on which our business relies to stay competitive in the marketplace. The success of our business depends substantially upon our continued ability to use our brand, copyrights, trade names and trademarks to increase brand awareness and to further develop our brand and reputation. The unauthorized reproduction of our trade names or trademarks and the unauthorized broadcast of our video contents could diminish the value of our brand and/or the relevant video contents, competitive advantages or goodwill. Misappropriation or misuse of our intellectual property by third parties may also harm our reputation.

We rely on a combination of copyrights, trademarks, trade names, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights. Nevertheless, these afford only limited protection and policing unauthorized use of proprietary information can be difficult and expensive. In addition, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving, and could expose us to substantial risks. Intellectual property laws in China may not protect intellectual property rights to the same extent as other countries such as the United States, and it may be difficult for us to stop the infringement, misappropriation or other violation of our intellectual property rights. Proceedings to enforce our intellectual property rights could result in substantial costs and divert our efforts and attention from other aspects of our business. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce or protect our intellectual property rights may be ineffective, which could have a material adverse effect on our business, results of operations, reputation and prospects.

The concepts and program flows of our programs under production may be copied by third parties without our authorization.

The originality in our concepts and program flows is vital to the success of our programs. During the development of our programs, we propose our original concepts and program flows to corporate sponsors and media platforms before we enter into any project-related agreements with them. There is a risk that our counterparties may misappropriate our concepts and program flows, and develop programs based on these information without us or our permission. Pursuant to PRC

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intellectual property laws, works under the protection of the Copyright Law are referred to as original intellectual creations in the literary, artistic and scientific domains, insofar as they are capable of being reproduced in a certain tangible form. Our concepts and programs flows of variety programs under production may not fall into any category of intellectual property. It may be difficult for us to claim our rights and seek damages or other recourses under PRC intellectual property laws, which would have a material adverse effect on our business, financial position and results of operations.

We may be subject to claims by third parties for intellectual property infringement.

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business. However, we cannot assure you that third parties will not put forward claims that our business infringes upon or otherwise violates copyrights or other intellectual property rights which they hold, whether valid or otherwise. Creative content such as scripts and music used in our programs may infringe on intellectual property rights of third parties. In addition, under PRC law, the copyrights of films and works created in ways similar to that of film production belong to the producers, but the script writers, film directors, artists, cameramen, lyricists and composers have the rights of authorship and shall be entitled to receive remunerations in accordance with the contracts signed with the producers; and the authors of works that can be used separately, such as the scripts and music for films and works created in ways similar to that of film production are entitled to separate copyrights. Therefore, the issue of intellectual property rights entitlement may exist among the production parties involved in our video content operation business. These include parties providing source materials to us, and the various script writers, directors, artists, cameramen, lyricists and composers engaged in production of our television and online programs. We may become involved in litigations and proceedings relating to allegations of infringement of intellectual property rights, defamation and violations of rights of third parties. The validity, enforceability and scope of protection of intellectual property rights, particularly within China, are still evolving. As we face increasing competition and as litigation becomes a more commonly pursued method for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. Further, there is no guarantee that we can obtain favorable final outcomes in all cases. Such intellectual property claims, even if they are frivolous or do not result in liability, may harm our brand and reputation. Any resulting liability or expenses, or changes required to our programs or services to reduce the risk of future liability, may have a material adverse effect on our business, results of operations and prospects.

We rely on third-party suppliers to provide certain services in video content production.

We outsource certain functions in the production of our programs, such as choreography, studio set design, sound, lighting and editing, to qualified third-party suppliers. For details, see “Business — Our Suppliers.” While we assign in-house producers, project coordinators and directors to manage and oversee the entire program production process and monitor the work of the third-party suppliers, we may not be able to ensure that the quality of work of such third-party suppliers can meet our requirements and expectations. Any failure by the third-party suppliers to meet our requirements and expectations may adversely affect the quality of our programs and in turn, could have a material adverse effect on our business, reputation, financial condition and results of operations. Moreover,

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there is no assurance that the services that these third-party suppliers provide to us will always be able to meet the requirements of our corporate sponsors or media platforms. If any services they deliver cannot meet our corporate sponsors' or media platforms' required standards, we may not be able to fulfill our contractual obligations with our customers, which may subject us to liability and adversely affect our business and reputation. Our suppliers may also be affected by higher costs to provide the services we need, rising labor costs and other expenses that they pass through to us, which could result in an increase in our content-related cost.

In addition, during the Track Record Period, we generally did not enter into any long term supply agreements with any third-party suppliers. Although we have not experienced difficulties in finding suitable third-party suppliers or incidents of interruption or delay in the supply of services, there is no assurance that our existing suppliers will continue to provide their services to us at a reasonable price in the future, or that we will be able to find alternative suppliers at similar terms and prices, or at all. Any interruption in such supply may have a material adverse effect on our business and operations.

RISKS RELATING TO OUR INDUSTRY AND REGULATIONS

The PRC Government regulates the video content market extensively and we are subject to laws, regulations and government actions based on the video content we operate.

The video content market is regulated extensively in China, and our development, marketing, production and distribution of video content are subject to various PRC law and regulations. Pursuant to the Provisions for the Administration of the Production and Distribution of Radio and Television Programs promulgated by SARFT on July 19, 2004, which took effect on August 20, 2004, our PRC Operating Entities have to obtain the License for Production and Distribution of Radio or Television Programs in order to produce and distribute radio and television programs legally in China. After obtaining the License for Production and Distribution of Radio or Television Programs, our PRC Operating Entities are required to operate their business strictly in accordance with the production and distribution scope approved by the License for Production and Distribution of Radio or Television Programs and relevant PRC laws, regulations and policies. Certain types of content such as those opposing the fundamental principles determined in the constitution of the PRC, compromising the unity, sovereignty or territorial integrity of the State are strictly prohibited.

Pursuant to the Regulations on Radio and Television Administration (Revised in 2017) (《廣播電視管理條例(2017年修訂)》) promulgated by the State Council on August 11, 1997 and last amended on March 1, 2017, radio and television broadcasting institutions shall not broadcast TV drama series and animated cartoons produced by institutions which did not obtain the License for Production and Distribution of Radio or Television Programs. Establishment of a broadcasting and television program production and marketing unit without authorization shall be banned by the department of broadcasting and television administration of the people's government at or above the county level, its special-purpose tools, equipment and program carriers for illegal activities will be confiscated, and it will be subject to a fine of more than RMB10,000 and less than RMB50,000. Production, broadcasting and providing to users abroad of programs containing prohibited contents shall be directed to stop the production, broadcasting and providing to users abroad, and its program carriers shall surrendered and be taken over, and be subject to a fine of more than RMB10,000 and less than RMB50,000. Where the circumstances are serious, the original approval authority shall revoke its license, and violators of

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public security provisions shall be penalized for public security violations by the public security authority according to law. Where the offense constitutes a crime, criminal responsibilities shall be investigated according to law. As a result, violation of these laws or regulations may result in penalties, including fines, cancelation of permit and even criminal responsibility. In addition, many of our TV programs are subject to review by NRTA prior to broadcasting.

Our business may also be adversely affected by changes in national or local policies, as well as the laws and regulations relating to our industry, and there can be no assurance that the PRC Government will not change the existing laws or regulations, or adopt additional or more stringent laws or regulations applicable to us and our business operations. Any changes to such laws and regulations or their interpretation or enforcement may expose us to the risk of non-compliance and may require us to conform our activities and operations to comply with such laws and regulations. We cannot predict the nature of such future laws, regulations, interpretations or applications, nor can we predict their impact on our business.

The PRC's regulation and censorship of video contents may adversely affect the broadcast of our programs and our business.

The PRC Government has enacted laws and regulations governing the distribution and broadcast of video content programs through TV networks and internet. Pursuant to the laws and regulations in the PRC, each TV program need to be registered with NRTA before broadcasting, and NRTA can, at their own discretion, require video program producer to re-edit programs. For example, if any celebrities on our programs are involved in any negative publicity, NRTA may require us to re-edit or to reshoot our programs. In some cases, the requirements of NRTA could change over time with short notices. Under this circumstance, it has rights to cancel the scheduled broadcast of video contents that do not meet the new requirements. Moreover, certain PRC Government authorities have their own media objectives. Video contents that fail to incorporate these media objectives may not be broadcast as requested by such government agencies. If any of the above-mentioned situations were to occur, the original broadcast schedule might be affected, and we might need to incur additional cost to reproduce our programs, which could have a material adverse effect on our business operations.

Inability to renew our qualifications, licenses and permits could materially affect our operations and financial performance.

We are required to obtain a number of qualifications, licenses and permits for our business in the PRC, especially in relation to our video content operations. For example, in accordance with the requirements under applicable PRC laws and regulations, each of our PRC Operating Entities, namely, Zhongguang Yusheng, Dongyang Qianyuxing, Yili Zhongsheng and Shanghai Yusheng, has obtained a License for Production and Distribution of Radio or Television Programs. If any of our qualifications, licenses or permits are revoked due to our violation of applicable laws, regulations and rules in respect of the production and content of our programs, or if we fail to renew any of the qualifications, licenses and permits necessary for our business upon their expiration, we may not be able to continue to produce and distribute programs and our business and results of operations will be materially and adversely affected.

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We may not be able to compete effectively against our competitors.

The video content market is highly competitive and fragmented. As of December 31, 2018, more than 18,000 companies in China have obtained the License for Production and Distribution of Radio or Television Programs, according to the F&S Report. We primarily face competition with respect to video content from other independent video program producer. Our competitors may reduce fees, increase production capabilities or develop new concepts and programs to obtain market share. Some of our competitors may have greater and broader operational experience and longer relationships with customers than we do. In many cases, our corporate sponsor works with several independent video program producer on different projects. They will compare the results of our programs against that of our competitors. If our programs do not meet their expectations, they may engage our competitors and discontinue cooperation with us. We cannot assure you that we will be able to successfully compete against new or existing competitors and failure to do so may cause our market share to decline, and our business, results of operations, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO OUR CUSTOMERS AND BROADCAST CHANNELS

We rely on a limited number of major customers in our business. Any interruption in our cooperation with them could materially and adversely impact our business, financial condition and results of operations.

During the Track Record Period, our customers generally included (i) TV networks and online video platforms that engage us to produce and distribute programs; (ii) advertising agencies that represent the corporate sponsors seeking to promote their products and services through product placements or TV commercials. During the Track Record Period, we rely on a limited number of corporate sponsors and media platforms in our business. In 2016, 2017 and 2018 and the eight months ended August 31, 2019, revenue generated from our five largest customers amounted to RMB126.6 million, RMB139.3 million, RMB265.5 million and RMB220.6 million, respectively, contributing to approximately 99.0%, 86.8%, 93.8% and 99.0% of our total revenue for the same periods, respectively.

We cannot guarantee that we will be able to continue to maintain strong relationships with our major customers, or that we will be able to derive significant business from them in the future. In addition, the advertising budgets of our corporate sponsors may fluctuate from year to year, based on a number of factors beyond our control. Any reduction in their budget may have a direct and negative impact on our business and results of operations. In some cases, our customers may discontinue cooperating with us due to the changes in their marketing strategies, internal policies, or management team. If our major customers terminate their business relationship with us, or if we are unable to negotiate favorable contractual terms with them, or we are unable to secure new customers at all or on favorable or comparable terms, our business, financial condition and results of operations may be materially and adversely affected.

We may be exposed to liabilities from allegations that certain of our corporate sponsors' advertisements may be false or misleading or that our corporate sponsors' products may be defective.

Pursuant to Advertising Law of the PRC (《中華人民共和國廣告法》), production or agent services providers of advertisements are to when it knows or should have known that the

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advertisement is false, fraudulent, misleading, or otherwise illegal, the competent PRC authority may confiscate the advertising operator's advertising revenue from such service, impose penalties, order it to cease dissemination of such false, fraudulent, misleading, or otherwise illegal advertisement or correct such advertisement, or suspend or revoke its business licenses under certain serious circumstances. Under the Advertising Law of the PRC, "advertising operator" include any natural persons, legal persons, or other organizations that provide service of advertisement designing, production or other related services.

As our programs have a number of corporate sponsors that place advertisements in our programs to market their brands and products, we are deemed as an "advertising operator." We cannot ensure that each advertisement in our programs complies with all PRC laws and regulations relevant to advertising activities, that supporting documentation provided by our customer is authentic or complete or that we are able to identify and rectify all incidences of non-compliance in a timely manner.

We may become, or may be joined as, a defendant in litigations or administrative proceedings brought against our corporate sponsors by third parties, including our corporate sponsors' competitors, regulatory authorities or consumers. These actions could involve claims alleging, among other things, that:

- advertisements made with respect to our corporate sponsors' products or services are false, deceptive, misleading, libelous, injurious to the public welfare or otherwise offensive;
- our corporate sponsors' products are defective or injurious and may be harmful to others; or
- marketing, communications or advertising materials of our corporate sponsors infringe on the proprietary rights of third parties.

Although we have never been subjected to any proceedings or losses in the past, we are still at risk of being required to incur significant costs and devote substantial time and effort to defend against such claims and allegations, even if they are without merit. The damages, costs, expenses or attorney's fees arising from any of these claims could have an adverse effect on our business and results of operations to the extent that we are not adequately insured against such risks or indemnified by our corporate sponsors. In addition, our reputation may be negatively affected by such allegations.

We may face difficulties in securing suitable media platforms for our programs.

In general, we are responsible for recommending media platforms to corporate sponsors for our programs (other than drama series produced based on the requirements of media platforms). We also negotiate with TV networks on commercial terms, including the time slots, advertising requirements and revenue sharing mechanism. Some media platforms can cover more audience for certain products than others. As a result, it is important to match a suitable media platform for our programs and our corporate sponsors. However, we may face intense competition in negotiating favorable contractual terms with them, as top TV networks only have limited time slot resources and top online platforms also have strict programs release plans. If we fail to find suitable media platforms for our programs, the viewership ratings and the performance of our programs may be adversely affected, and our corporate sponsors may terminate their business relationship with us. Moreover, TV networks may

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have requirements on the content of our programs, which may adversely affect the effect of our corporate sponsors' advertisements, and our ability to successfully find corporate sponsors or broadcast our programs at all. As a result, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO OUR FINANCIAL PERFORMANCE

Our future operations, working capital and cash flow position may be adversely affected if our customers fail or delay to settle payments due to us.

Our cash flow and profitability are subject to the timely settlement of payments by our customers for the programs and services we have provided to them. Our customers generally included TV networks, online video platforms and advertising agencies. During the Track Record Period, we generally granted a credit period ranging from 30 days to 90 days from the date of billing to our customers. In practice, however, collection period for certain customers, particularly TV networks, may be significantly longer than the credit period stated in our agreements. As of December 31, 2016, 2017 and 2018 and August 31, 2019, our trade receivables (before deduction of loss allowance) amounted to RMB121.3 million, RMB153.9 million, RMB235.3 million and RMB402.2 million, respectively, of which 78.3%, 61.4%, 87.7% and 94.2%, respectively, represented trade receivables due from TV networks. In 2016, 2017 and 2018, and the eight months ended August 31, 2019, the turnover days of our trade receivables was approximately 202 days, 276 days, 218 days and 316 days, respectively. As a result, we recorded loss allowance for trade and other receivables charged to our consolidated statements of profit or loss of RMB11.0 million, RMB8.4 million and RMB11.1 million in 2016, 2017 and 2018, respectively, and recorded a reversal of loss allowance for trade and other receivables in our consolidated statements of profit or loss in the amount of RMB4.3 million for the eight months ended August 31, 2019.

Due to our growing program pipeline and the long trade receivables collection period for certain customers, our cash conversion cycle (calculated as program copyright turnover days plus trade receivables turnover days and minus trade payables turnover days) has increased from 115 days to 229 days and 285 days and further to 497 days for the years ended December 31, 2016, 2017 and 2018 and the eight months ended August 31, 2019, respectively. The cash conversion cycle derived from the interim result is not representative for that of the full year result due to the fact that (i) our customers generally settle a higher proportion of trade receivables in the fourth quarter of the year, and (ii) we generally commence production of most of our programs beginning from the second quarter of the year because although we may have developed program concepts prior to the second quarter, few production resources are available in the first quarter of the year due to Chinese New Year holidays and because CCTV and various provincial satellite networks are generally occupied with production and release of Chinese New Year galas. This results in significant program copyrights on its balance sheet in the interim. If the increasing cash conversion cycle continues to the end of the year, it may negatively impact our business, working capital and cash flow position.

We cannot assure you that we will be able to collect all or any of our trade receivables or collect the amount for any unbilled work on time, or at all, after meeting the agreed program milestone(s). Our customers may face unexpected circumstances, including, but not limited to, financial difficulties caused by fiscal constraints or change in fiscal policy of the government or delay of the completion of our programs due to the changes in government policies. Our customers, particularly TV networks,

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may delay or even default in their payment obligation. As a result, we may not be able to receive from such customers' payment of uncollected debts in full, or at all, and we may need to make provisions for trade receivables or program copyrights. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

We record significant program copyrights.

We recorded significant program copyrights during the Track Record Period in relation to programs for which master tapes have not been delivered and accepted by the media platforms. As of December 31, 2016, 2017 and 2018 and August 31, 2019, our program copyrights amounted to nil, RMB17.1 million, RMB64.4 million, and RMB170.1 million, respectively. As we continue to expand our program pipeline, we may record significant program copyrights going forward. Certain of our program copyrights may be long-aging, depending on the pace and timing of program development and release. In 2016, 2017, and 2018, and the eight months ended August 31, 2019, the turnover days of our program copyright was approximately six days, 44 days, 89 days and 216 days, respectively. The significant program copyright we record and the long turnover days may result in a net operating cash outflow position in certain years or periods. Moreover, if certain programs under development are suspended or terminated due to reasons beyond our control, we may be subject to program copyrights write-offs.

We recorded negative operating cash flows in 2016, 2017 and the eight months ended August 31, 2019.

We recorded net cash used in operating activities of RMB32.3 million, RMB47.0 million, and RMB172.9 million in 2016, 2017 and the eight months ended August 31, 2019, respectively. Our net cash used in operating activities for the eight months ended August 31, 2019 was particularly high due to the trade receivables and program copyrights recorded, which reflected the pace and timing of our program development and release during that period and seasonality in trade receivables settlement by our customers. See “Financial Information — Liquidity and Capital Resources — Cash Flow — Net cash (used in)/generated from operating activities.” Historically, we have financed our operations and other capital requirements primarily through (i) cash generated from our operations; (ii) proceeds from Pre-IPO Investments; and (iii) bank and other borrowings. Negative operating cash flow requires us to obtain sufficient external financing to meet our financing needs and obligations. If, in the future, we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition will be materially and adversely affected.

Our historical operating results may not be indicative of future earnings.

Our revenue increased from RMB127.8 million in 2016 to RMB160.4 million in 2017 and further to RMB282.9 million in 2018, representing a CAGR of 48.8%. Our gross profit increased from RMB50.3 million in 2016 to RMB89.3 million in 2017 and further to RMB116.0 million in 2018, representing a CAGR of 51.9%. While our revenue and gross profit increased rapidly from 2016 to 2018, we experienced decreases in revenue and gross profit from the eight months ended August 31, 2018 to the same period in 2019. Our revenue decreased from RMB259.3 million to RMB222.7 million and our gross profit decreased from RMB102.5 million to RMB90.5 million from the eight months ended August 31, 2018 to the same period in 2019.

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We cannot assure you that our historical operating results will be indicative of future earnings for various reasons, including the uncertainty of success of our pipeline programs, our ability to secure media platforms and corporate sponsors for our programs, settlement of trade receivables and intensified competition in the video content market in China. Investors should not rely on our historical results as an indication of our future financial or operating performance.

We may need additional capital for our operations and we may not be able to obtain it on acceptable terms or at all, which could adversely affect our liquidity and financial condition.

Video content operation requires significant capital investment upfront. Historically, we have financed our business activities in part through (i) cash generated from our operations; (ii) proceeds from pre-IPO investments; and (iii) bank and other borrowings. If our current sources are insufficient to satisfy our cash requirements, we may seek additional debt or equity financing or obtain a credit facility. The issuance of additional equity securities or convertible debt securities could result in dilution to our shareholders. The incurrence of indebtedness could result in increased debt service obligations, increased finance costs and operating and financing covenants that would restrict our operations and liquidity and negatively impact our financial performance.

Our ability to obtain additional capital on acceptable terms is subject to a variety of risks and uncertainties, including:

- investors' perception of, and demand for, our securities;
- prevailing conditions of the capital markets in which we seek to raise funds;
- our financial performance and gearing ratio;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of the video content market in China;
- PRC governmental policies relating to foreign currency; and
- economic, political and other conditions in China.

Any failure by us to raise additional funds that are necessary for our operations on terms favorable to us could have a material adverse effect on our liquidity and financial condition.

We may fail to estimate our costs accurately, our actual costs may be affected by unanticipated events, and we may fail to control our costs effectively, in which case our results of operations would be adversely affected.

A substantial majority of our revenue is derived from production and distribution fees from media platforms and advertising revenue from advertising agents who act on behalf of corporate sponsors. For each program, we would determine an estimated profit margin threshold before negotiating with counterparties. Our ability to achieve the target profitability is largely dependent on our ability to accurately estimate, and effectively control, costs. We may not be able to pass on any increase in costs (unless it is due to corporate sponsors' additional demand) to corporate sponsors or media platforms, and actual costs may differ from our estimate due to factors which are unanticipated

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or beyond our control, such as an increase in suppliers' costs. If the actual costs incurred are higher than the budgeted costs, our gross profit may be reduced and our results of operations would be adversely affected.

Our operating results are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenue and results of operations. Because of the large number of Chinese New Year galas produced by China Central Television and various provincial satellite TV stations (which may be repeated many times during the Chinese New Year holidays), there are fewer broadcasting slots for other types of programs in the first quarter of a calendar year. The level of TV program development and production activities increases in the second quarter and continues into the second half of the calendar year. In addition, there are special primetime slots targeted at young people during their summer break and winter break from school in July and August, and the fourth quarter of the year. Such seasonal fluctuations in the level of TV program development and production activities may affect the level of advertising investments by corporate sponsors. As a result, in general, we expect our revenue, gross profit and net profit to be higher in the second half of the year than in the first half. It may not be meaningful to project our full year results from our interim results. Any quarterly fluctuations in our revenue and results of operations could result in volatility and cause the price of our shares to fall.

Any termination of, or changes to, the preferential tax treatment that we enjoy could adversely affect our profitability.

We enjoyed certain preferential tax rates in relation to a portion of our operations during the Track Record Period. In 2016, 2017 and 2018, and the eight months ended August 31, 2018 and 2019, our effective income tax rate was approximately 25.1%, 2.1%, 5.1%, (2.7)% and 24.8%, respectively, calculated based on actual tax credit/(expense) divided by profit before income tax for the same period. One of our PRC Operating Entities, Yili Zhongsheng, began to enjoy preferential tax treatment at the end of 2016 and is exempt from EIT from 2016 to 2020. Beginning in 2018, as our operations expanded rapidly, we decided to centralize our business through our Beijing operating entity, Zhongguang Yusheng, to facilitate our management of growing operations. Zhongguang Yusheng is subject to the standard EIT rate of 25%. See "Financial Information — Key Factors Affecting Our Results of Operations — Changes in Effective Tax Rate."

The discontinuation of any preferential tax treatment currently available to us or the increase in profit in any entity of our Group which does not enjoy any preferential tax treatment would cause our effective tax rate to increase, which could have an adverse effect on our results of operations. There is no assurance that any of our PRC Operating Entities will continue to be entitled to preferential tax treatment in the future. In addition, the PRC Government makes adjustments or changes to its policies on VAT, EIT and other taxes from time to time. Unless we are able to renew our existing preferential tax treatments upon their expiration or are granted additional preferential tax treatment in the future, we expect our effective tax rates to gradually increase in the foreseeable future. Moreover, any further adjustments or changes, together with any uncertainties resulting therefrom, could have a material adverse effect on our business, financial condition and results of operations.

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RISKS RELATING TO OUR OPERATIONS

We have a short operating history and may not be able to manage our future growth.

We have experienced rapid growth since our establishment in 2014. To manage the further expansion of our business and the growth of our operations and personnel, we need to continuously improve our operational and financial systems, procedures, compliance and controls. We will also be required to produce and distribute consistently high quality programs to maintain customer satisfaction and our sound reputation. We also need to expand, train and manage our growing employee base. In addition, our management will be required to maintain and expand our relationships with corporate sponsors, media platforms, advertising agents, third-party suppliers, and other third parties.

In particular, our continued growth may subject us to the following challenges, namely:

- ensuring the productivity of a larger team and recruiting, training and retaining talented personnel for our growing operations;
- successfully developing appealing program concepts and launching new programs that gain market acceptance;
- successfully securing corporate sponsors for our programs and build stable relationships with media platforms;
- maintaining effective operational, financial and management controls across a larger operating scale; and
- responding to evolving market trends and government regulation that impact our growing business.

We cannot assure you that our current management, operations, technological infrastructure, financial resources and controls will be adequate to support our expanding operations. If we fail to manage our expansion effectively, our business, results of operations and prospects may be materially and adversely affected.

We may not be able to successfully implement our strategies, or achieve our business objectives.

Our business objectives and strategies as set out in this Prospectus are based on our existing plans and intentions. However, our objectives and strategies are based on prevailing circumstances and the development trends of our industry currently known to our Directors, the bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of development. There are significant challenges and uncertainties involved in our strategic plans, including whether (i) we will be able to complete these plans on schedule and within the anticipated budget, or at all; (ii) we will be able to generate anticipated revenues and profits from these plans to cover our indebtedness, costs or contingent liabilities associated with such plans; and (iii) these plans will be in line with the market demand and national and local policies in the future. Specifically, we intend to continue to expand our pipeline, including increasing our investment in TV drama series, which generally require substantial upfront investments. Moreover, our limited experience in TV drama series production and distribution and relatively limited TV drama series production team may negatively affect our ability to successfully produce and distribute high quality

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TV drama series for our corporate sponsors. There is also no assurance that we will be able to find suitable media platforms to broadcast our TV drama series on schedule, in which case we will not be able to generate revenue from such TV drama series. Our future prospects must be considered in light of the risks, expenses and difficulties which may be encountered by us in our various stages of development of business. We cannot assure you that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to successful achievement of our objectives. If we are not able to implement our strategies effectively, our business, financial condition and results of operations may be adversely affected.

We depend substantially on the continuing efforts of our senior management and key personnel, and our business and prospects may be severely disrupted if we lose their services. The lack of capacity of our senior management and key personnel may cause a backlog of programs which may adversely affect our business and results of operations.

Our future success depends on the continued service of the key members of our senior management team, including our founder and chairman of the Board, Mr. Liu. For more details, see “Directors and Senior Management.” If we lose the services of Mr. Liu, or any other senior management and key personnel, we may not be able to locate suitable or qualified replacements, or may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and prospects. In particular, our business relies heavily on the experience and skills of creative personnel, such as directors, producers and program coordinators. If we lose their services, we may be unable to find suitable replacements at similar costs and terms, and as a result, the quality of our programs and our ability to develop new programs may be adversely affected. In addition, the loss of any of our key employees may adversely impact the perception of us by our corporate sponsors and media platforms. Furthermore, if any of our senior management and key personnel joins a competitor or forms a competing company, we may lose a significant number of our customers, which also could have a material adverse effect on our business and revenues.

In addition, whether our programs can be completed within the planned schedule largely depends on the capacity of our key personnel, including our content development team. As of the Latest Practicable Date, our content development team had 43 members. If we cannot manage to expand our content development team along with our rapid growth, we may face a circumstance in the future where our content development team members may not have the capacity to participate in the production of all of our new programs. As such, there may be a backlog of programs that we may not be able to complete in accordance with our production schedule, or at all. We may be subject to breach of contract claims, higher costs, liabilities, and lose our customers as a result, which could adversely impact our business and results of operations.

Any negative publicity with respect to us and our business, our shareholders, Directors, officers, employees, our counterparties and the video content market in general may materially and adversely affect our reputation, business and results of operations.

Complaints, litigation, administrative proceedings, negative publicity, malicious allegations or other detrimental conduct by others, including our shareholders, Directors, officers, employees, our counterparties (including our corporate sponsors, media platforms, celebrities on our programs or other counterparties) and that arise from the video content market in general, even if inaccurate or without merit, may have a material and adverse effect on the public perception of our Company or our

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programs. For example, accidents, personal injuries or even casualties may occur on programs we are involved in. Although we may not be liable for the occurrence of any events mentioned above, we may be required to spend significant time and incur substantial costs in response to allegations, detrimental conduct or negative publicity, and there is no assurance that we will be able to conclusively refute each of them within a reasonable period of time, or at all. Our reputation may be harmed as a result of the public dissemination of malicious allegations about our personnel, business, operations, accounting, prospects or business ethics, which in turn could adversely affect our business and the trading price of our Shares.

Potential labor shortages, increases in labor costs and labor disputes could materially and adversely affect our business, financial condition and results of operations.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees. Due to increasing market competition, the market demand and competition for qualified employees has intensified. If we face labor shortages or significant increases in labor costs caused by the intense competition, higher employee turnover rates, increases in wages or other employee benefit costs or changes to labor laws and regulations, our operating costs could increase significantly, which could materially and adversely affect our results of operations.

We cannot assure you that labor disputes will not occur between us and our employees in the future. If such incidents do occur, we may be subject to fines by relevant governmental authorities and may incur settlement costs in order to resolve labor disputes. In addition, we may become subject to higher labor costs in the future when recruiting new employees due to the reputational damage caused by labor disputes. Such potential incidents could disrupt our operations, harm our reputation and divert our management's attention, which may have a material and adverse effect on our business, financial condition and results of operations.

Failure in our information and technology systems could interrupt our business operations.

We implement modern information and technology systems to store market and project data and our customers' information and manage our business operations. However, there is no assurance that we have sufficient ability to protect our information and technology systems from all possible damages including acts of nature, telecommunications breakdown, electricity failure or similar unexpected events which are beyond our control. We do not back up all data on a real-time basis and our business operations may be materially affected by any failure in our information and technology systems. If our information and technology systems do not function properly, or any partial or complete failure occurs to our systems, our business operations could be materially and adversely affected.

We may not be able to detect and prevent fraud, bribery, other misconduct, non-compliances or OFAC-sanctioned transactions committed by our employees, customers, suppliers, related parties or other third parties.

We may be exposed to fraud, bribery, other misconduct, non-compliances, such as money-laundering, or OFAC-sanctioned transactions, committed by our employees, customers, suppliers, related parties or third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. Our internal control procedures

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are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions or incidents of corruption, bribery or other misconduct and non-compliances in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud, bribery and other misconduct and non-compliances, and the precautions we take to prevent and detect such activities may not be effective. We cannot assure you that fraud, bribery, or other misconduct or non-compliances will not occur in the future. If such fraud, bribery, or other misconduct or non-compliances does occur, it may subject us to potential penalties and negative publicity as a result.

Our risk management and internal control systems may not fully protect us against various risks inherent in our business.

We have established risk management and internal control systems consisting of the relevant organizational framework policies, risk management policies and risk control procedures to manage our risk exposures, primarily our operational risk, legal risk and financial risks. However, we may not be successful in implementing our risk management and internal control systems. While we seek to continue to enhance such systems from time to time, we cannot assure you that our risk management and internal control systems are adequate or effective notwithstanding our efforts, and any failure to address any potential risks and internal control deficiencies could materially and adversely affect our business, financial condition and results of operations.

Since our risk management and internal control systems depend on their implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial condition and results of operations could be materially and adversely affected.

Our insurance coverage is limited and does not cover all business risks.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business disruption, business liability, third party liability or similar business insurance products. We have determined that the risks of disruption or liability from our business, the cost of obtaining insurance coverage for these risks and the difficulties associated with obtaining such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, we do not maintain insurance coverage for any business liability, disruption, litigation or property insurance coverage for our operations in China and would have to bear the costs and expenses associated with any such events out of our own resources, which in turn could have an adverse effect on our operating results.

We may be involved in legal and other proceedings in the ordinary course of our business from time to time and may face significant liabilities as a result.

We may be involved in disputes in the ordinary course of our business. These disputes may lead to various legal or other proceedings. We may receive formal and informal inquiries from government

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authorities and regulators regarding our compliance with laws and regulations, many of which are evolving and subject to interpretation. There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws, even though our contracts with our customers and suppliers have incorporated certain protection clauses. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business, and may result in substantial costs, damages to our reputation and a diversion of resources and management's attention.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC Government authorities determine that our Contractual Arrangements do not comply with applicable regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our PRC Operating Entities.

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting business of production and distribution of radio and television programs. See “Regulatory Overview — Regulations in Relation to Foreign Investment.” To comply with the relevant PRC laws and regulations, our business is directly conducted by the PRC Operating Entities, based on a series of Contractual Arrangements by and among the WFOE, Zhongguang Yusheng and the Registered Shareholders. As a result of these Contractual Arrangements, we are able to exercise control over and derive the economic benefits from our PRC Operating Entities and consolidate their results of operations into those of our Group. Our PRC Operating Entities hold the requisite licenses, permits and approvals required for our business operations, including the License for Produce and Distribute Radio or Television Programs. Some of our intellectual property rights, including copyrights and trademarks, are also held by the PRC Operating Entities.

However, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, we cannot assure you that the PRC Government will not ultimately take a view contrary to the opinion of our PRC Legal Advisers. If we are found to be in violation of any PRC laws or regulations or if the Contractual Arrangements among the WFOE, Zhongguang Yusheng and the Registered Shareholders are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the Contractual Arrangements;
- revoke our business and operating licenses related to our video content operation business;
- require us to discontinue or restrict operations related to our video content operation business;

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- restrict our right to collect revenue generated from our video content operation business;
- levy fines on us and/or confiscate the proceeds that they deem to have been obtained through noncompliant operations;
- require us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets related to our video content operation business;
- impose additional conditions or requirements with which we may not be able to comply; or
- take other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the assets under the name of any record holder of equity interest in our PRC Operating Entities, including such equity interest, may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the Contractual Arrangements. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and Contractual Arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on our ability to conduct the business. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of our PRC Operating Entities or the right to receive their economic benefits, we would no longer be able to consolidate our PRC Operating Entities, thus adversely affect our results of operations.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the 2nd meeting of the 13th Standing Committee of the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "FIL") and became effective on January 1, 2020. Currently, the FIL replaced the law on Sino-Foreign Equity Joint Ventures (《中外合資經營企業法》), the law on Sino-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the law on Foreign-Capital Enterprises (《外資企業法》) to become the legal foundation for foreign investment in the PRC. The FIL stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our PRC Operating Entities, through which we operate our business in the PRC. The Foreign Investment Law stipulates that foreign investment includes "Foreign Investors invest in China through many other methods under laws, administrative regulations or provisions prescribed by the State Council." Therefore, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be recognized as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled.

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In the extreme case-scenario, we may be required to unwind the Contractual Arrangements and/or dispose of our PRC Operating Entities, which could have a material and adverse effect on our business, financial condition and result of operations. Moreover, the Stock Exchange may delist our Company if we no longer have a sustainable business after disposal of our PRC Operating Entities. For details of the Foreign Investment Law and its potential impact on our Group, see “Contractual Arrangements — Development in Legislation on Foreign Investment in Mainland China.”

Therefore, there remains substantial uncertainties with respect to the interpretation and implementation of the Foreign Investment Law and its impact to our Contractual Arrangements and our business, financial condition and result of operations.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and the PRC Operating Entities or the Registered Shareholders may fail to perform their obligations under our Contractual Arrangements.

Our business is directly conducted by the PRC Operating Entities, based on a series of Contractual Arrangements by and among the WFOE, Zhongguang Yusheng and the Registered Shareholders. Our revenue and cash flow from our video content operation business are attributed to the PRC Operating Entities. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over the PRC Operating Entities. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of the PRC Operating Entities, which, in turn, could affect changes, subject to any applicable fiduciary obligations at the management level. However, under the Contractual Arrangements, if the PRC Operating Entities or the Registered Shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. For example, if the Registered Shareholders were to refuse to transfer their equity interest in Zhongguang Yusheng to us or our designee when we exercise the call option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward us, we might have to take legal action to compel them to perform their respective contractual obligations. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over our PRC Operating Entities and may lose control over the assets owned by the PRC Operating Entities. As a result, we may be unable to consolidate the PRC Operating Entities in our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

We may lose the ability to use and enjoy assets and licenses held by the PRC Operating Entities that are important to the operation of our business if any of the PRC Operating Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

The PRC Operating Entities hold certain assets that are related to our business operations. The Contractual Arrangements with Zhongguang Yusheng and the Registered Shareholders contain terms that specifically obligate the Registered Shareholders to ensure the valid existence of Zhongguang Yusheng and that Zhongguang Yusheng may not be voluntarily liquidated. However, should the

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Registered Shareholders breach this obligation and voluntarily liquidate Zhongguang Yusheng, or should any of the PRC Operating Entities declare bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors and we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial condition and results of operations.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities, additional taxes and interest may be imposed. We would be subject to adverse tax consequences if the PRC tax authorities were to determine that transactions under the Contractual Arrangements between WFOE and Zhongguang Yusheng were not conducted on an arm's-length basis as the PRC tax authorities have the authority to make special tax adjustments on Zhongguang Yusheng's tax position. Such adjustments may adversely affect us by increasing Zhongguang Yusheng's tax expenses without reducing the tax expenses of WFOE, subjecting Zhongguang Yusheng to late payment fees and other penalties for under-payment of taxes. Our results of operations may be adversely affected if Zhongguang Yusheng's tax liabilities increase or if it is subject to late payment fees or other penalties.

The Registered Shareholders may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

We conduct our video content operation business through the PRC Operating Entities. Our control over these entities is based upon the Contractual Arrangements with Zhongguang Yusheng and the Registered Shareholders that allow us to control Zhongguang Yusheng. The Registered Shareholders may potentially have a conflict of interest with us, and they may breach their contracts with us if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us and Zhongguang Yusheng, the shareholders will act completely in our interests or that the conflicts of interest will be resolved in our favor.

In addition, the Registered Shareholders may breach or cause Zhongguang Yusheng to breach the Contractual Arrangements. If Zhongguang Yusheng or the Registered Shareholders breach their contracts with us or otherwise have disputes with us, we may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, adversely affect our ability to control Zhongguang Yusheng and otherwise result in negative publicity. There is also substantial uncertainty as to the outcome of any such legal proceedings.

We conduct our video content operation business in the PRC through the PRC Operating Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

All of the agreements which constitute the Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these

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agreements would be interpreted in accordance with PRC laws and disputes and would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the PRC Operating Entities, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

The Contractual Arrangements contain provisions to the effect that the arbitral tribunal may award remedies over the shares or assets of Zhongguang Yusheng, or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Zhongguang Yusheng. These agreements also contain provisions that any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Zhongguang Yusheng are located for interim remedies or injunctive relief. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Zhongguang Yusheng in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China. PRC laws do allow the arbitral body to grant an award of transfer of assets of or equity interests in Zhongguang Yusheng in favor of an aggrieved party. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by Zhongguang Yusheng and/or the Registered Shareholders, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over Zhongguang Yusheng, which could negatively affect our ability to conduct our business.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

As all of our operations are conducted in China, we are vulnerable to adverse changes in economic, political and social conditions and government policies in China.

All of our operations and assets are located in China, and all of our revenue is derived from our business in China. Accordingly, our financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social and legal conditions in China. The PRC economy differs from that of most developed countries in many respects, including the extent of government involvement, level of economic development, investment control, resource allocation, growth rate and control over foreign exchange. We believe the PRC Government has indicated its commitment to the continued reform of the economic system as well as the structure of the government. The PRC Government's reform policies have emphasized the independence of enterprises and the use of market mechanisms. Since the introduction of these reforms, significant progress has been achieved in economic development, and enterprises have enjoyed an improved environment for their development. However, any changes in the political, economic or social conditions in China may materially and adversely affect our business, financial condition and results of operations.

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The current tensions in international economic relations may negatively affect the demand for our services, and our results of operations and financial condition may be materially and adversely affected.

Recently there have been heightened tensions in international economic relations, such as the one between the United States and China. The U.S. government has recently imposed, and has recently proposed to impose additional, new, or higher tariffs on certain products imported from China to penalize China for what it characterizes as unfair trade practices. China has responded by imposing, and proposing to impose additional, new, or higher tariffs on certain products imported from the United States. On September 17, 2018, President Trump announced his decision to impose a 10% tariff on the third list of US\$200 billion in imports from China to the United States effective September 24, 2018. On May 8, 2019, the U.S. government announced it would increase these tariffs to 25%. These tariffs are in addition to two earlier rounds of tariffs implemented against Chinese products on June 6, 2018 and August 16, 2018 that amount to tariffs on US\$50 billion of Chinese products imported into the United States. On May 13, 2019, China responded by imposing tariffs on certain U.S. goods on a smaller scale, and proposed to impose additional tariffs on U.S. goods. On August 1, 2019, President Trump announced his decision to impose a 10% tariff on another US\$300 billion of Chinese goods effective September 1, 2019, which was subsequently postponed to December 2019. On August 6, 2019, the U.S. Department of the Treasury declared China to be a currency manipulator. On August 23, 2019, China announced that it would impose additional retaliatory tariffs against about US\$75 billion U.S. goods, putting as much as an extra 10% on top of existing rates. On October 7, 2019, the U.S. government put 28 PRC companies on its “entity list,” largely banning U.S. firms from selling to them. On October 10, 2019, high level delegates from China and the U.S. met in Washington for two days of talks. On October 11, 2019, the U.S. government announced that it would delay a tariff increase scheduled to go into effect on October 15, 2019. The delay would apply to tariffs that were scheduled to increase to 30% on US\$250 billion of Chinese goods. On January 15, 2020, China and the United States reached a phase one trade deal, which will cut U.S. tariffs and boost China’s purchases of U.S. products. However, we are not able to predict future trade policy of the United States or of China or the terms of any renegotiated trade agreements, or their impact on our business.

Amid these tensions, the U.S. government has imposed and may impose additional measures on entities in China, including sanctions. Our businesses are materially affected by the financial markets and economic conditions in China, the U.S. and elsewhere in the world. Escalations of the tensions that affect trade relations may lead to slower growth in the global economy in general, which in turn could negatively affect our corporate sponsors’ businesses and materially reduce demand for our services, thus potentially negatively affect our business, financial condition, and results of operations.

We may be deemed a PRC resident enterprise for PRC EIT purposes under the EIT Law and be subject to PRC taxation on our global income.

Pursuant to the EIT Law, which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, an enterprise established outside of China whose “de facto management body” is located in China is considered a “PRC resident enterprise” and will generally be subject to the uniform EIT rate of 25% on its global income. The Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) defines “de

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facto management body” as the organization body that effectively exercises management and control over aspects such as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, the STA released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (“Circular 82”), as amended on January 29, 2014 and December 29, 2017, which sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. Further to Circular 82, the STA issued Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (境外註冊中資控股居民企業所得稅管理辦法(試行)) (“Bulletin 45”), which took effect on September 1, 2011 and was most recently amended on June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect STA’s criteria for determining the tax residence of foreign enterprises in general. If our global income were to be taxed under the EIT Law, our financial condition and results of operations may be materially and adversely affected.

You may be subject to PRC income tax on dividends from us or on any gain realized on the sale or other disposition of our Shares under PRC law.

Under the EIT Law, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from sources within China payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides. Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20%, and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

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Although all of our business operations are in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of our investors' investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

The heightened scrutiny by the PRC tax authorities over acquisition transactions may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

On February 3, 2015, the STA issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("STA Circular 7"), which abolished certain provisions in STA Circular 698, as well as certain other rules providing clarification on STA Circular 698. STA Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a nonresident enterprise of PRC taxable assets. Under STA Circular 7, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC taxable assets, when a non-resident enterprise transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC EITs and without any other reasonable commercial purpose. However, STA Circular 7 contains certain exemptions, including (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling shares of an overseas listed holding company which holds such PRC taxable assets on a public market; and (ii) where there is an indirect transfer of PRC taxable assets, but if the non-resident enterprise had directly held and disposed of such PRC taxable assets, the income from the transfer would have been exempted from EIT in the PRC under an applicable tax treaty or arrangement.

We have conducted and may conduct acquisitions involving changes in corporate structures, and historically our Shares were transferred by certain then shareholders to our current shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

Uncertainties with respect to the PRC legal system could limit the legal protection available to our Shareholders.

The PRC legal system has inherent uncertainties that could limit the legal protection available to our Shareholders. As all of our business operations are in China, we are principally governed by PRC laws, rules and regulations. The PRC legal system is based on the civil law system. Unlike the common law system, the civil law system is established on the written statutes and their interpretation by the Supreme People's Court (最高人民法院), while prior legal decisions and judgments have

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limited significance for guidance. The PRC Government has been developing a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters, such as corporate organization and governance, foreign investments, commerce, taxation and trade.

However, many of these laws and regulations are relatively new, and because of the limited volume of published decisions, their implementation and interpretation involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of any violation of these policies and rules until sometime after such violation has occurred. Furthermore, the legal protection available to our Shareholders under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and diversion of resources and management attention.

We rely on dividends paid by our WFOE and PRC Operating Entities for our cash needs, and any limitation on the ability of our WFOE and PRC Operating Entities to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We conduct all of our business through the WFOE and PRC Operating Entities. Therefore, we rely on the dividends received from the WFOE and PRC Operating Entities to pay dividends to our Shareholders. Currently, PRC regulations permit the payment of dividends only out of distributable profits determined in accordance with the accounting standards and regulations in China, which differ in many aspects from generally accepted accounting principles in other jurisdictions. Our PRC Operating Entities are required to allocate certain percentages of any accumulated profits after tax each year to their statutory common reserve fund as required under the PRC Company Law, until the aggregate accumulated statutory common reserve funds exceed 50% of its registered capital. These reserve funds cannot be distributed as cash dividends. In addition, if our PRC Operating Entities incur debt on their own or enter into certain agreements in the future, the instruments governing the debt or such other agreements may restrict their ability to pay dividends or make other distributions to us. Therefore, these restrictions on the availability and usage of our major source of funding may materially and adversely affect our ability to pay dividends to our Shareholders.

The PRC Government's control over currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

The Renminbi is not presently a freely convertible currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following completion of the Global Offering, do not require prior approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the requisite licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE. There is no assurance that we will be able to receive these approvals in time, or at all. This could restrict the ability of our PRC Operating Entities to obtain debt or equity financing in foreign currencies.

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The existing foreign regulations allow us, following completion of the Global Offering, to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that the PRC Government will continue to adopt this policy going forward. The PRC Government may also restrict our access to foreign currencies for current account transactions at its discretion. Any insufficiency of foreign currencies may impair our ability to obtain sufficient foreign currencies for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements.

Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC Government, including restrictions on our PRC Operating Entities' ability to pay dividends or make distributions to us and our ability to increase investment in our PRC Operating Entities.

The SAFE promulgated Circular 37 in July 2014. Pursuant to Circular 37, PRC residents must register with local branches of SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through SPVs. Such PRC residents are also required to amend their registrations with the SAFE when there is a significant change to the registered SPV, such as changes of its PRC resident individual shareholder, name, operation period or other basic information, or the PRC individual resident's increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with Circular 13, the foreign exchange registration aforesaid has been directly reviewed and handled by banks since June 1, 2015, and the SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. Under this regulation, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of WFOE and Zhongguang Yusheng, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant rules. However, there is no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future. Moreover, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to compel our Shareholders to comply with the requirements of Circular 37.

Fluctuations in the value of Renminbi and other currencies could have an adverse effect on our business, financial condition and results of operations.

The value of the Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC Government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces and the PRC Government's policies will continue to impact Renminbi exchange rates going forward. The Renminbi may

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appreciate or depreciate significantly in value against the Hong Kong dollar, the U.S. dollar or other foreign currencies in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies.

Even though substantially all of our revenue and expense are denominated in RMB, fluctuations in exchange rates may nonetheless in the future adversely affect the value of our net assets and earnings. To the extent that we need to convert U.S. dollars we receive from Pre-IPO Investments into Renminbi for development and operation of the business of the members of our Group, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive. Moreover, proceeds from the Global Offering are made in Hong Kong dollars. Any unfavorable movement in the exchange rate of the Renminbi against the Hong Kong dollar may adversely affect the value of our proceeds from the Global Offering. In addition, any unfavorable movement in the exchange rate of the Renminbi against other foreign currencies may also lead to an increase in our costs, which could adversely affect our business, financial condition and results of operations.

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

Any funds we transfer to our PRC Operating Entities, either as a loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC Operating Entities are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS, and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC Operating Entities is required to be registered with SAFE, or its local branches, and (ii) each of our PRC Operating Entities may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FICMIS. Any medium or long term loan to be provided by us to our PRC Operating Entities must be recorded and registered by the NDRC and the SAFE or its local branches. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC Operating Entities. If we fail to complete such recording or registration, our ability to use the proceeds of the Global Offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or Circular 19. Circular 19 took effect as of June 1, 2015. Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the Renminbi funds converted from their

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foreign exchange capital for expenditures beyond their business scope. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange, or Circular 16. Circular 19 and Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using Renminbi funds converted from its foreign exchange capital for expenditure beyond its business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. Circular 19 and Circular 16 may significantly limit our ability to transfer to and use in China the net proceeds from the Global Offering, which may adversely affect our business, financial condition and results of operations.

You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our executive Directors or senior management residing in China.

All of our assets are located in China and all of our executive Directors and senior management reside in China. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible.

In addition, on July 14, 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “Arrangement”). Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and there can be no assurance that an active market would develop.

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price for our Shares was the result of negotiations between us and the Joint Representatives (for themselves and on behalf of the Underwriters) and the Offer Price may differ significantly from the

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market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price:

- our financial results;
- stability of Hong Kong's economy and financial markets, particularly in light of the recent political unrest in the city;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- changes in laws and regulations in China;
- our inability to compete effectively in the video content market;
- our inability to obtain or maintain regulatory approval for our operations;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance;
- political, economic, financial and social developments in China and Hong Kong and in the global economy; and
- involvement in material litigation.

In addition, shares of other companies listed on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. As a result, it is possible that our Shares may be subject to changes in price not directly related to our performance and as a result, investors in our Shares may suffer substantial losses.

The interests of our Controlling Shareholders may not align with those of our other Shareholders.

Immediately following the completion of the Global Offering and the Capitalization Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme, our Controlling Shareholders will be entitled to exercise voting rights of 46.43% of the total issued share capital of our Company. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval. This concentration of ownership, as a result, may

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discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interest of our other Shareholders, the interests of our other Shareholders may be disadvantaged or harmed.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The Offer Price of our Offer Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return. For details of our intended use of proceeds, see the section headed “Future Plans and Use of Proceeds.” However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. Although our Controlling Shareholders is subject to restrictions on its sales of Shares within 12 months from the Listing Date as described in “Underwriting” in this Prospectus, future sales of a significant number of our Shares by our Controlling Shareholders in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through offerings of our Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by it or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in “Appendix IV — Statutory and General Information” or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by our Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

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There may be difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

There may be dilution because of issuance of new Shares or equity securities.

In spite of our current cash and cash equivalents and the net proceeds from the Global Offering, we may require additional funds due to changes in business conditions or other future developments relating to, inter alia, our existing operations or any future expansions. The amount and timing of such additional financing needs will vary depending on the timing investments in and/or acquisitions of new businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The issuance of additional equity securities and the grant and exercise of share options under our Share Option Scheme could result in additional dilution to our Shareholders. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced.

Because the initial public Offer Price per Share is higher than the net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution. Existing Shareholders will receive an increase in the net tangible asset value per share of their shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

Whether and when the dividends will be declared and paid cannot be assured.

No dividend has been paid by our Company and from entities comprising our Group during the Track Record Period. Our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC Operating Entities. Under applicable laws and the constitutional documents of our PRC Operating Entities, the payment of dividends may be subject to certain limitations. The calculation of certain of our PRC Operating Entities' profit under applicable accounting standards differs in certain respects from the calculation under IFRSs. As a result, our PRC Operating Entities may not be able to pay a dividend in a given year even if they have profit as

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determined under IFRSs. Accordingly, since we derive all of our earnings and cash flows from dividends paid by our PRC Operating Entities, we may not have sufficient distributable profit to pay dividends to our Shareholders. In addition, any future dividend declaration and distribution will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and PRC laws, including, where required, the approvals from our Shareholders and our Directors. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. Moreover, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future. See “Financial Information — Dividends.”

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market for our Shares may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our Shares or publish negative opinions about us, the market price of our Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume of our Shares to decline.

Certain facts, forecasts and statistics contained in this Prospectus are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain facts, forecasts and other statistics contained in this Prospectus relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications or other third-party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this Prospectus, however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this Prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought and has been granted the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

According to Rules 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since our headquarters and most of our business operations are not principally located, managed or conducted in Hong Kong, our Company does not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 of the Listing Rules. Currently, none of the executive Directors of our Company reside in Hong Kong.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted our Company a waiver from strict compliance with Rules 8.12 of the Listing Rules. Our Company has made the following arrangements to maintain effective communication between the Stock Exchange and us:

- (i) both of our Company's authorized representatives, Mr. Liu Mu, an executive Director, the chairman of the Board and the chief executive officer of our Company, and Ms. Au Wai Ching, a joint company secretary of our Company, will act as the Company's principal channel of communication with the Stock Exchange. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice;
- (ii) both of the authorized representatives of our Company have means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;
- (iii) each Director has provided his/her mobile phone number, office phone number and e-mail address to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives;
- (iv) each of the Directors of our Company not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period; and
- (v) our Company has appointed Celestial Capital Limited as the compliance adviser of our Company, who will also act as an additional channel of communication with the Stock Exchange from the Listing Date to the date when our Company dispatches the annual reports to the Shareholders for the first full financial year immediately after the Listing of the Shares of our Company. Celestial Capital Limited will maintain constant contact with the authorized representatives, Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary.

WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our Company must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience, and is therefore capable to discharge the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of the Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or a barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further sets out the factors that the Stock Exchange will consider in assessing an individual's "relevant experience":

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, as amended from time to time;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Liu Xinxing (劉新星) as one of the joint company secretaries of our Company. Although our Company believes, having regard to his past experience in handling administrative and corporate matters, that he has a thorough understanding of our Group and the Board, Mr. Liu Xinxing does not possess the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to fulfill the requirements of the Listing Rules on his own. Therefore, our Company has appointed Ms. Au Wai Ching ("Ms. Au"), who is a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and therefore qualified under Rules 3.28 and 8.17 of the Listing Rules to act as a joint company secretary and to work closely with and provide assistance to Mr. Liu Xinxing.

The following arrangements have been, or will be, put in place to assist Mr. Liu Xinxing in acquiring the qualifications and experience as the company secretary of our Company required under Rules 3.28 and 8.17 of the Listing Rules:

- (i) In the course of the preparation of the application for the Listing, Mr. Liu Xinxing has been provided with a memorandum and has attended a training seminar on the respective obligations of the Directors and senior management and our Company under the relevant Hong Kong laws and the Listing Rules provided by the Company's Hong Kong legal adviser.

WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (ii) In addition to the minimum training requirements under Rule 3.29 of the Listing Rules, our Company will ensure that Mr. Liu Xinxing continues to have access to relevant training and support to familiarize himself with the Listing Rules and the duties of a company secretary of a company listed on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Furthermore, our Company will ensure that both Mr. Liu Xinxing and Ms. Au will seek and have access to the advice from the Company's Hong Kong legal adviser and other professional advisers as and when required.
- (iii) Ms. Au will assist Mr. Liu Xinxing in acquiring the "relevant experience" as required under Note 2 to Rule 3.28 of the Listing Rules and to discharge his functions as a joint company secretary. Mr. Liu Xinxing will be assisted by Ms. Au for an initial period of three years commencing from the Listing Date. As part of the arrangement, Ms. Au will act as one of the joint company secretaries of our Company and communicate regularly with Mr. Liu Xinxing on matters relating to corporate governance, the Listing Rules as well as other laws and regulations which are relevant to our Company. Ms. Au will also assist Mr. Liu Xinxing in organizing Board meetings and shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary.
- (iv) Our Company has appointed Celestial Capital Limited as our compliance adviser for the purpose of Rule 3A.19 of the Listing Rules. The compliance adviser will act as the Company's additional channel of communication with the Stock Exchange, and provide professional guidance and advice to our Company and its joint company secretaries as to the compliance with the Listing Rules and all other applicable laws and regulations.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Prior to the expiry of the initial three-year period, the qualifications of Mr. Liu Xinxing will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied.

CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements which would constitute non-exempt continuing connected transactions of our Company under Chapter 14A of the Listing Rules following the completion of the Global Offering. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to the non-exempt continuing connected transactions. Details of such non-exempt continuing connected transactions and the waiver are set out in the sections headed "Contractual Arrangements" and "Connected Transactions."

FINANCIAL INFORMATION INCLUDED IN THE PROSPECTUS

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in the Prospectus must include, among others, the consolidated results of our Company and its subsidiaries

WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES

in respect of each of the three financial years immediately preceding the issue of the Prospectus 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.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in the Prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of the Prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in the Prospectus a report by our auditor with respect to (i) profits and losses of our Company in respect of each of the three financial years immediately preceding the issue of the Prospectus; and (ii) assets and liabilities of our Company at the last date to which the financial statements of our Company were prepared.

According 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 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 for each of the three years ended December 31, 2016, 2017 and 2018 and the eight months ended August 31, 2019 has been prepared and set out in Appendix I to the Prospectus.

The applications to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for 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 were made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the waiver and exemption would not prejudice the interests of the investing public as:

- (a) there would not be sufficient time for our Company and the reporting accountants to finalize the audited financial statements for the year ended December 31, 2019 for inclusion in the Prospectus shortly after the year end. If the financial information for the year ended December 31, 2019 is required to be audited, our Company and the reporting accountants would have to carry out substantial work to prepare, update and finalize the Accountants' Report and the Prospectus, and the relevant sections of the Prospectus will need to be updated to cover such additional period;

WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (b) our Directors herein confirm that after performing all due diligence work which they consider appropriate, up to the Latest Practicable Date, there has been no material adverse change to our financial and trading positions or prospects since September 1, 2019 (immediately following the date of the latest audited statement of financial position in the Accountants' Report set out in Appendix I to the Prospectus) to December 31, 2019 and there has been no event which would materially affect the information shown in the Accountants' Report as set out in Appendix I to the Prospectus, the profit estimate for the year ended December 31, 2019 as set out in Appendix IIA to the Prospectus and the section headed "Financial Information" in the Prospectus and other parts of the Prospectus;
- (c) our Company is of the view that the Accountants' Report covering the three years ended December 31, 2016, 2017 and 2018 and the eight months ended August 31, 2019, together with the profit estimate for the year ended December 31, 2019 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) included in the Prospectus have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of our business, assets and liabilities, financial position, trading position, management and prospects has been included in the Prospectus. Our Directors believe that a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and the exemption from paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would not prejudice the interests of the investing public; and
- (d) our Company will publish our annual results and annual report for the financial year ended December 31, 2019 within the time prescribed under Rules 13.46(2) and 13.49(1) of the Listing Rules, respectively, which will be on or before April 30, 2020.

As such, an application has been made to the Stock Exchange for, and the Stock Exchange has granted our Company, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver was granted by the Stock Exchange on the conditions that:

- (a) the Prospectus be issued on or before February 29, 2020 and our Company be listed on the Stock Exchange on or before March 31, 2020 (i.e. within three months after the end of our Company's latest financial year immediately preceding the issue of the Prospectus);
- (b) the Prospectus contains profit estimate for the year ended December 31, 2019 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) and a statement from our Directors that after performing all due diligence work which they consider appropriate, there is no material adverse change to our financial and trading positions or prospects of our Group, with specific reference to our trading results from September 1, 2019 to December 31, 2019; and
- (c) our Company obtains a certificate of exemption from the SFC on strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES

An application has also been made to the SFC for 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 and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (a) the particulars of the exemption be set forth in the Prospectus;
- (b) the Prospectus be issued on or before February 29, 2020; and
- (c) our Company be listed on the Stock Exchange on or before March 31, 2020 (i.e. within three months after the end of our Company's latest financial year immediately preceding the issue of the 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 (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information 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.

FULLY UNDERWRITTEN

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the International Offering of initially 360,000,000 Offer Shares and the Hong Kong Public Offering of initially 40,000,000 Offer Shares, each subject to the reallocation on the basis as described in the section headed “Structure of the Global Offering” in this Prospectus and without taking into account the Over-allotment Option.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Subject to the terms of the Underwriting Agreements, the Hong Kong Offer Shares are fully underwritten by the Hong Kong Underwriters and the International Offer Shares are fully underwritten by the International Underwriters. Further information regarding the Underwriters and the underwriting arrangements are set out in the section headed “Underwriting” in this Prospectus.

INFORMATION ON THE GLOBAL OFFERING

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

Neither the delivery of this Prospectus nor any subscription or acquisition made under it 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 contained in this Prospectus is correct as of any date subsequent to the date of this Prospectus.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Representatives (for themselves and on behalf of the Underwriters) and us on or around Thursday, March 5, 2020 and in any event no later than Monday, March 9, 2020.

If the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Monday, March 9, 2020 or such later date or time as may be agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

RESTRICTIONS ON OFFERS AND SALE OF OFFER SHARES

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

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this Prospectus and/or the Application Forms 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 authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and/or the Application Forms, and the offer and sales 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 authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering. No part of our Shares 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. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposing of, and/or dealing in the Shares or exercising any rights attached to them. Our Company, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, the Underwriters, any of our/their respective affiliates, respective directors, officers, employees, agents or representatives or advisers or any other person or party involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, or dealing in, the Shares or exercising any rights attached to them.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and Stabilization are set out in the section headed “Structure of the Global Offering” in this Prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus and on the related Application Forms.

SHARE REGISTRAR AND HONG KONG STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands. All of the Shares allocated pursuant to the Global Offering will be registered on the Company’s register of members to be maintained in Hong Kong by our Hong Kong Share Registrar, Tricor Investor Services Limited. Dealings in the Shares registered in our Company’s Hong Kong Share Registrar will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, March 13, 2020. Shares will be traded in board lots of 1,000 Shares each.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.8986 to HK\$1.00 (being the middle exchange rate set by the PBOC on February 7, 2020), and (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.7651 to US\$1.00 (being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on February 7, 2020).

TRANSLATION

If there is any inconsistency between the English version of this Prospectus and the Chinese translation of this Prospectus, the English version of this Prospectus shall prevail. However, the

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like, as marked with “*,” are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Liu Mu (劉牧)	Room 602, Unit A, Building 7 Park 1872 International Apartment Chaoyang District Beijing PRC	Chinese
Ms. Chen Jia (陳佳)	Room 2202, Unit 1, Building 1 Yard 4, Changtong Road Changying Street Office Chaoyang District Beijing PRC	Chinese
Non-executive Director		
Mr. Chen Kai (陳凱)	Room 9A, Building 2 No. 2068 West Nanjing Road Residence Jing'an District Shanghai PRC	Chinese
Independent Non-executive Directors		
Ms. Ran Hua (冉華)	Room 301, Unit 1, Building 16 Dongzhong Community Wuhan University 299 Bayi Road, Wuchang District Wuhan City, Hubei Province PRC	Chinese
Mr. Victor Huang (黃偉德)	Flat A, 6/F, Block 9 Braemar Hill Mansion 31 Braemar Hill Road North Point Hong Kong	Chinese
Mr. Zhang Yiwu (張頤武)	Room 1203, Unit 4, Building 3 Wudaokou Jiayuan Haidian District Beijing PRC	Chinese

For further information regarding our Directors, see “Directors and Senior Management.”

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Haitong International Capital Limited

8th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong
(Licensed under the SFO and permitted to carry out Type 6 (advising in corporate finance) regulated activities (as defined under the SFO))

BOCOM International (Asia) Limited

9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong
(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising in corporate finance) regulated activities (as defined under the SFO))

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Haitong International Securities Company Limited

22nd Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

BOCOM International Securities Limited

9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

AMTD Global Markets Limited

23/F – 25/F Nexxus Building
41 Connaught Road Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

Guotai Junan Securities (Hong Kong) Limited

27/F., Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited

Level 19, 28 Hennessy Road
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

Futu Securities International (Hong Kong) Limited

Unit C1-2, 13/F, United Centre,
No.95 Queensway
Hong Kong

Victory Securities Company Limited

11th Floor, Yardley Commercial Building,
3 Connaught Road West, Sheung Wan
Hong Kong

Yue Xiu Securities Company Limited

1003-1005, Siu On Centre, 188 Lockhart Road,
Wanchai
Hong Kong

SBI China Capital Financial Services Limited

4/F, Henley Building
No.5 Queen's Road Central
Hong Kong

Sinomax Securities Limited

2705-6, 27/F, Tower One, Lippo Centre
89 Queensway
Hong Kong

Guoyuan Capital (Hong Kong) Limited

17/Floor, Three Exchange Square, 8 Connaught
Place
Hong Kong

Legal Advisers to our Company

As to Hong Kong and U.S. laws:

Sidley Austin

39th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng

34th Floor, Tower 3,
China Central Place,
77 Jianguo Road,
Chaoyang District
Beijing
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<i>As to Cayman and BVI law:</i> Campbells Floor 35, Room 3507 Edinburgh Tower, The Landmark 15 Queen's Road, Central Hong Kong
Legal Advisers to the Joint Sponsors, and the Underwriters	<i>As to Hong Kong and U.S. laws:</i> Wilson Sonsini Goodrich & Rosati Suite 1509, 15/F, Jardine House 1 Connaught Place Central Hong Kong <i>As to PRC law:</i> Tian Yuan Law Firm 10/F, China Pacific Insurance Plaza, 28 Fengsheng Hutong, Xicheng District Beijing PRC
Auditors and Reporting Accountants	KPMG 8th Floor, Prince's Building 10 Chater Road, Central Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai PRC
Compliance Adviser	Celestial Capital Limited 22/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Receiving Bank

Bank of Communications Co., Ltd.

Hong Kong Branch

Unit B B/F & G/F,

Unit C G/F, 1-3/F,

16/F Room 01 & 18/F,

Wheelock House

20 Pedder Street

Central

Hong Kong

CORPORATE INFORMATION

Registered Office	Floor 4, Willow House Cricket Square Grand Cayman KY1-9010 Cayman Islands
Head Office and Principal Place of Business in the PRC	9/F, Block E Ocean International Center Chaoyang District Beijing PRC
Principal Place of Business in Hong Kong	40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Company's Website	<u>www.sinozswl.com</u> (information on this website does not form part of this Prospectus)
Joint Company Secretaries	Mr. Liu Xinxing (劉新星) Sanai Center No. 15 Guanghai Chaoyang District Beijing PRC Ms. Au Wai Ching (區慧晶) <i>ACIS, ACS</i> 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. Liu Mu (劉牧) Room 602, Unit A, Building 7 Park 1872 International Apartment Chaoyang District Beijing PRC Ms. Au Wai Ching (區慧晶) <i>HKICS, ICSA,</i> 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Victor Huang (黃偉德) (Chairman) Mr. Chen Kai (陳凱) Ms. Ran Hua (冉華)
Remuneration Committee	Mr. Zhang Yiwu (張頤武) (Chairman) Ms. Ran Hua (冉華) Ms. Chen Jia (陳佳)
Nomination Committee	Mr. Liu Mu (劉牧) (Chairman) Ms. Ran Hua (冉華) Mr. Zhang Yiwu (張頤武)
Principal Share Registrar and Transfer Office	Campbells Corporate Services Limited Floor 4, Willow House, Cricket Square P.O. Box 268 Grand Cayman, KY1-1104 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bank	Bank of Communication, Beijing East District Branch No.21 Guangqu Avenue Chaoyang District, Beijing, PRC China Merchant Bank, Beijing Wantong Center Branch 1st Floor, Wantong Center No.6 Chaoyangmennei Avenue Chaoyang District, Beijing, PRC

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this Prospectus relating to the industry in which we operate are derived from the F&S Report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us. The information extracted from the F&S Report should not be considered as a basis for investments in the Offer Shares or as an opinion of Frost & Sullivan as to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors have further confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the F&S Report or any of the other reports which may qualify, contradict or have an impact on the information in this section. No independent verification has been carried out on such information and statistics by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other parties (other than Frost & Sullivan) involved in the Global Offering or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. Unless and except for otherwise specified, the market and industry information and data presented in this Industry Overview section is derived from the F&S Report.⁽¹⁾

THE VIDEO CONTENT MARKET IN CHINA

The video content market in China comprises seven types of programs, namely TV drama series, theatrical films, TV variety programs, made-for-internet drama series, made-for-internet movies, made-for-internet variety programs and short-form videos. The video content market in China experienced stable growth from 2014 to 2018, primarily driven by the rising disposable income and consumption upgrades in China, as Chinese consumers increasingly seek high quality and diversified entertainment products. The following chart illustrates the actual and forecasted market size of the video content market in China in terms of revenue generated by video content programs for the period indicated.

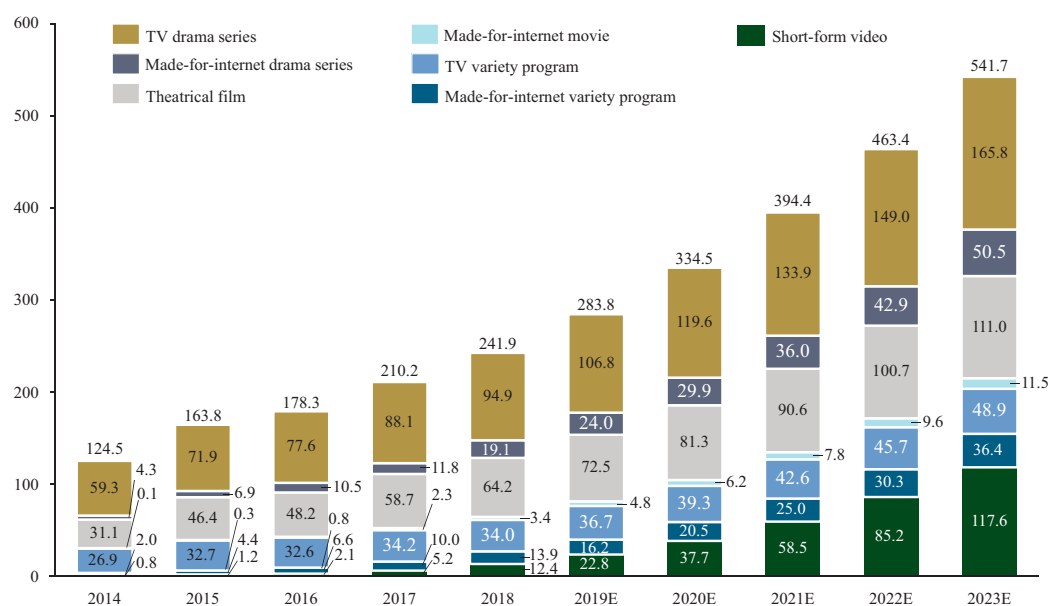
(1) The contract sum to Frost & Sullivan is RMB500,000 for the preparation and use of the F&S Report, and we believe that such fees are consistent with the market rate. Frost & Sullivan is an independent consulting firm founded in Hong Kong. It offers industry research and market strategies and provides growth consulting and corporate training. In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) global social, economic and political environment is likely to remain stable in the forecast period; (ii) purchasing power is expected to continue to rise rapidly in emerging regions and to grow steadily in developed regions; (iii) related industry key drivers are likely to drive the market in the forecast period. Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with leading industry participants and industry experts, as well as secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

INDUSTRY OVERVIEW

Market Size of Video Content Market (China), 2014-2023E

CAGR	Total	TV drama series	Made-for-internet drama series	Theatrical film	Made-for-internet movie	TV variety program	Made-for-internet variety program	Short-form video
2014-2018	18.1%	12.5%	45.3%	19.8%	127.6%	6.0%	62.7%	98.5%
2019E-2023E	17.5%	11.6%	20.4%	11.2%	24.4%	7.5%	22.4%	50.8%

RMB Billion



Note: Market size refers to the revenue (primarily including advertising revenue, licensing revenue and derivative revenue) generated by TV drama series, made-for-internet drama series, theatrical film, made-for-internet movie, TV variety programs, made-for-internet variety programs and short-form videos.

Source: Frost & Sullivan Analysis and Estimate

TV NETWORKS AND ONLINE VIDEO PLATFORMS

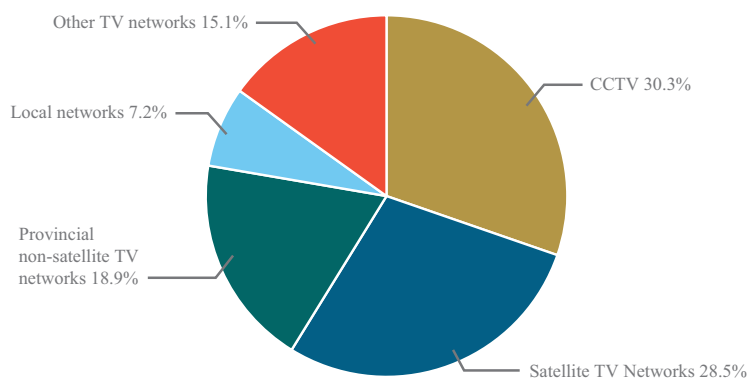
The Company's focus has primarily been on TV variety programs, and more recently, made-for-internet variety programs and TV drama series. Currently, the major media platforms for these types of video content are primarily TV networks and online video platforms.

TV Networks

TV media is a media format with high penetration in China. In 2018, viewership of TV networks in China was over 300 million households. TV networks in China primarily include CCTV, Satellite TV Networks, provincial non-satellite TV networks and local networks. The performance of a TV network is generally measured by its ratings and advertising revenue. Despite an overall decline in ratings and advertising revenue of TV networks in China, China's Satellite TV Networks have demonstrated a strong ability to achieve one of the highest viewership ratings among TV networks in China. In particular, these Satellite TV Networks consistently broadcast some of the highest-rated TV variety programs in China, especially during primetime slots of the Big Five Satellite TV Networks in China. Advertising revenue of these five TV networks increased from RMB23.3 billion in 2014 to RMB27.0 billion in 2018, and is expected to reach RMB30.9 billion in 2023. The following chart illustrates the market share for viewership ratings by type of networks in 2018.

INDUSTRY OVERVIEW

Market Share of Viewership Ratings by Type of Networks (China), 2018



Source: China TV Rating Year Book; Frost & Sullivan Analysis and Estimate

Leading Satellite TV Networks, which are generally state-owned TV networks, have generally outperformed other provincial TV networks in terms of ratings, as many of the highest-rated TV programs, including TV variety programs, were broadcast on these networks. The following table sets out details of the leading Satellite TV Networks in China from 2016 to 2018, with the Big Five Satellite TV Networks highlighted.

Ranking of Leading Satellite TV Networks (2016-2018)

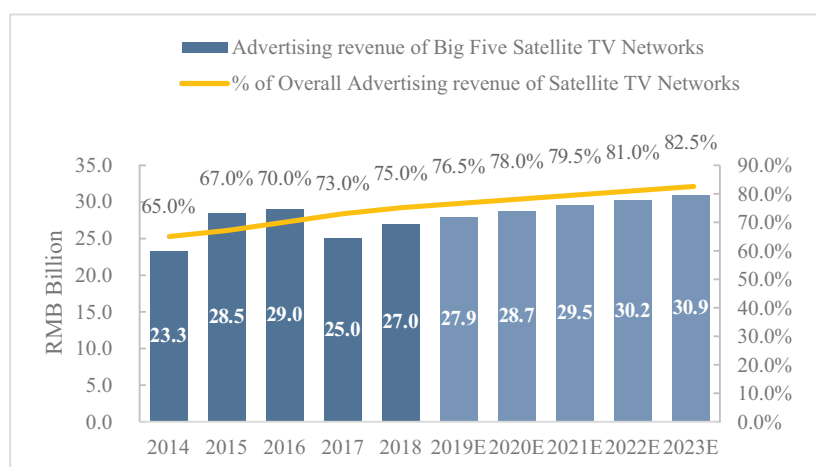
Ranking	2016	2017	2018
1	Hunan Satellite TV	Hunan Satellite TV	Hunan Satellite TV
2	Dragon TV	Dragon TV	Dragon TV
3	Zhejiang Satellite TV	Zhejiang Satellite TV	Beijing Satellite TV
4	Jiangsu Satellite TV	Jiangsu Satellite TV	Jiangsu Satellite TV
5	Beijing Satellite TV	Beijing Satellite TV	Zhejiang Satellite TV
6	Anhui Satellite TV	Shandong Satellite TV	Shandong Satellite TV
7	Shandong Satellite TV	Anhui Satellite TV	Anhui Satellite TV
8	Shenzhen Satellite TV	Tianjin Satellite TV	Tianjin Satellite TV
9	Jiangxi Satellite TV	Shenzhen Satellite TV	Shenzhen Satellite TV
10	Tianjin Satellite TV	Hubei Satellite TV	Heilongjiang Satellite TV

Source: CSM52 viewership rankings for the period between 19:30 to 23:00.

INDUSTRY OVERVIEW

The Big Five Satellite TV Networks, which in recent years consistently have been Dragon TV, Jiangsu Satellite TV, Hunan Satellite TV, Zhejiang Satellite TV and Beijing Satellite TV, have been able to generate steadily increasing advertising revenue from corporate sponsors, other than the slight decline in 2017. Compared to other years from 2014 to 2018, in 2015 and 2016, advertising revenue of the Big Five Satellite TV Networks was significantly higher because the later seasons of several popular variety programs such as “Running Man (Seasons 2-4)”, “The Voice of China (Season 4)” and “I am a Singer (Season 3)”, were broadcast on the Big Five Satellite TV Networks, which brought significant and stable advertising revenue to the Big Five Satellite TV Networks. In 2017, as a result of the fact that these variety programs entered into a late stage of their life cycles and due to the impact of the rapid development of online video platforms, the advertising revenue of Big Five Satellite TV Networks declined slightly. The following chart illustrates the actual and forecasted advertising revenue and market share of the Big Five Satellite TV Networks for the period indicated.

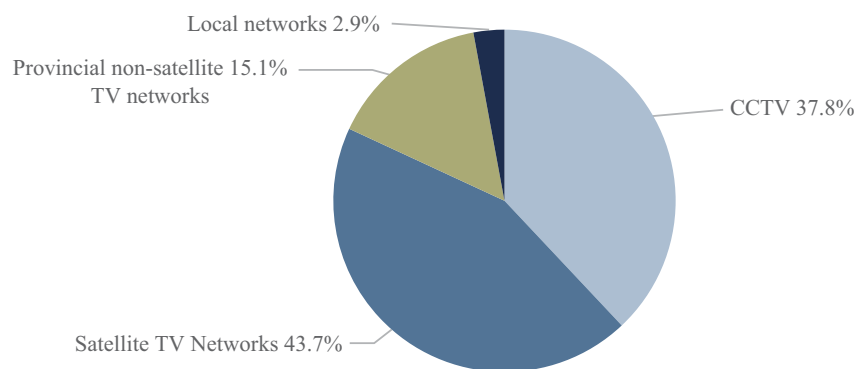
Advertising Revenue of Big Five Satellite TV Networks (China), 2014-2023E



Source: Frost & Sullivan Analysis and Estimate

For TV variety programs, China’s Satellite TV Networks have collectively accounted for a 43.7% market share of viewership ratings in 2018, significantly higher than CCTV, provincial non-satellite TV networks and local networks. The following chart illustrates the market share for viewership ratings of TV variety programs by type of networks in 2018.

Market Share of Viewership Ratings of TV Variety Programs by Type of Networks (China) 2018

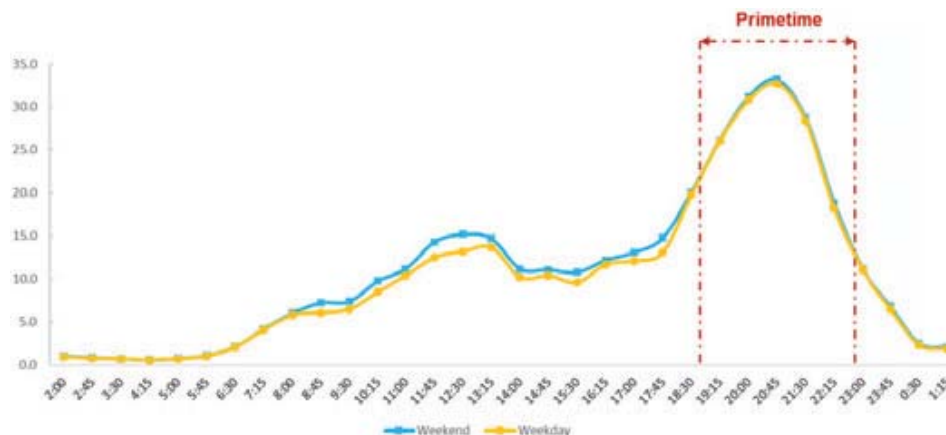


Source: CSM Media Research; Frost & Sullivan Analysis and Estimate

INDUSTRY OVERVIEW

In general, for TV networks, viewership is higher during primetime than other periods. The following chart sets forth all day viewership ratings.

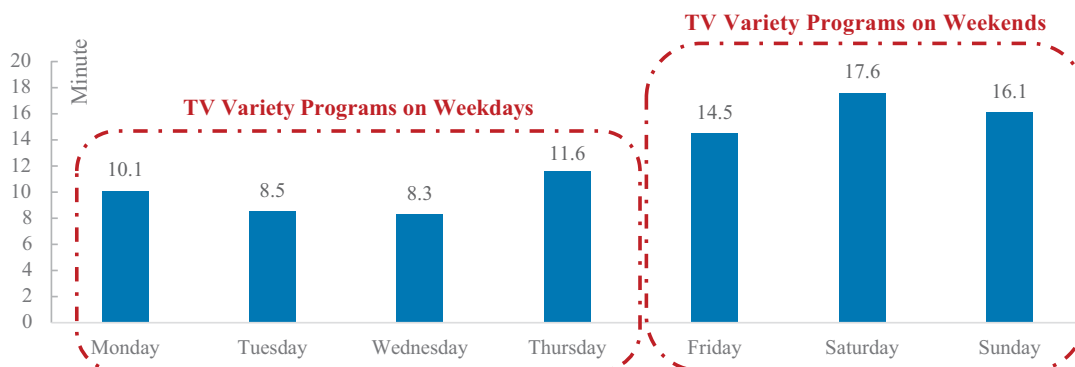
Comparison of All Day Viewership Ratings of Weekdays and Weekends (China) 2017



Source: China TV Rating Year Book

Viewership is even higher for TV variety programs broadcast at weekend primetime slots (i.e. broadcast between 19:00 and 23:00 on Fridays, Saturdays and Sundays). The average amount of time per capita spent on watching TV variety programs on Fridays, Saturdays and Sundays was significantly higher than Mondays through Thursdays. The following chart sets forth the average amount of time per capita spent on watching TV variety programs per day in 2018.

Average Amount of Time Per Capita Spent on Watching TV Variety Programs Per Day (China), 2018



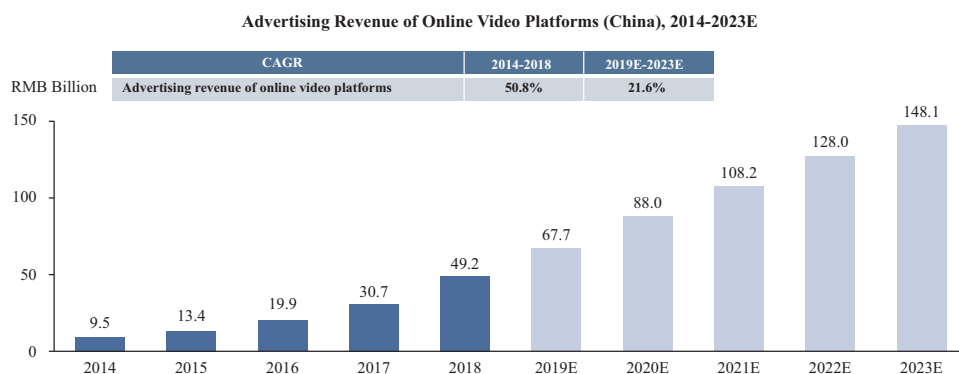
Source: CSM Media Research; Frost & Sullivan Analysis and Estimate

Of a total of 62 variety programs released and approximately 65 variety programs expected to be released at the highly coveted weekend primetime slots on China's Big Five Satellite TV Networks in 2019 and 2020, respectively, according to the F&S Report, 24 were produced or co-produced and approximately 25 are expected to be produced or co-produced by independent video program producers, respectively.

INDUSTRY OVERVIEW

Online Video Platforms

In line with the increasing number of internet users in China, the number of internet video viewers increased from 433.0 million in 2014 to 611.1 million in 2018 at a CAGR of 9.0%, and the number of paid subscribers for internet videos increased from 50.7 million in 2014 to 280.3 million in 2018 at a CAGR of 53.4%. The significant increase in internet video viewers resulted in a rapid expansion of the online video industry. An important indicator of the online video platforms market is advertising revenue, which increased significantly from 2014 to 2018. Along with the increasing number of internet video viewers and paid subscribers, online video platforms have become increasingly attractive to advertisers. At an early stage of their development, online video platforms grew rapidly from a relatively small market and recorded a CAGR of 50.8% from 2014 to 2018 in terms of advertising revenue. The online video platform market is expected to grow steadily by approximately RMB18 billion to RMB21 billion each year from 2019 to 2023, but with a relatively lower CAGR of 21.6% during this period given its significant market size by 2019. The following chart illustrates the actual and forecasted advertising revenue of online video platforms for the period indicated.



Note: Market size refers to the advertising revenue generated by online video platforms.

Source: Frost & Sullivan Analysis and Estimate

Leading players in China for online video content, such as made-for-internet drama series, variety series and films, include iQIYI (愛奇藝), Youku (優酷), Tencent Video (騰訊視頻), Mango TV (芒果TV), Bilibili (嗶哩嗶哩) and Sohu Video (搜狐視頻).

THE VARIETY PROGRAM MARKET IN CHINA

Variety programs is a type of interactive audio-visual video content that can incorporate art forms such as musical performance, sketch comedy and storytelling. Variety programs can attract a large youth audience, which is a major demographic of the video content market in China.

Value Chain

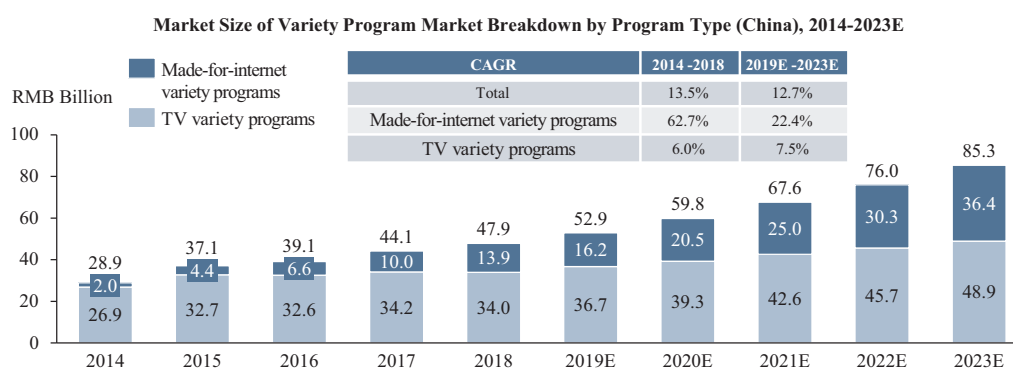
Major participants in the variety program market in China include corporate sponsors and advertising agencies, video content producers, copyright owners, post-production companies, marketing and distribution companies and broadcast channels and platforms. There are a small number of companies in China with an integrated capability to develop, produce, market and distribute video content programs, such as the Group. These market participants are referred to as video program producers. Historically, production companies in China did not own the copyrights to variety

INDUSTRY OVERVIEW

programs and had to license in copyrights from copyright owners to produce and distribute variety programs in China. In recent years, there has been a growing emphasis on original variety programs. In line with this market trend, variety programs producers that hold copyrights to original shows are playing an increasingly important role in the value chain.

Market Size

Variety programs in China comprise TV variety programs and made-for-internet variety programs. Variety programs primarily generate revenue through advertising, licensing and sales of derivative products, such as tie-in merchandise. Due to rising income levels and the continuing growth of demand for diversified entertainment products and services in China, the market size of variety programs in China has experienced stable growth. The following chart illustrates the market size of variety programs in China by revenue for the period indicated.

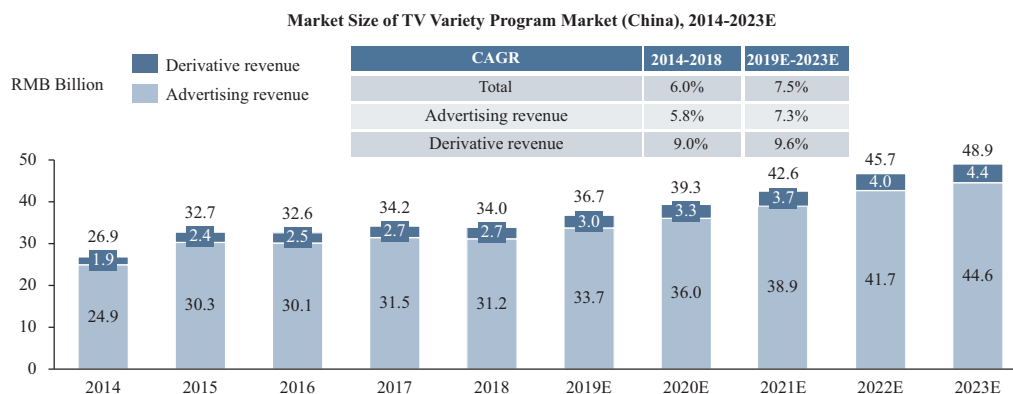


Note: Market size refers to the revenue from media platforms and corporate sponsors as well as sales of derivative products generated by TV variety programs and made-for-internet variety programs.

Source: Frost & Sullivan Analysis and Estimate

TV Variety Programs

Revenue from TV variety programs primarily comprises (i) advertising revenue generated through TV networks, out of which TV networks pay independent variety program operators for program production, and (ii) derivative revenue, such as licensing revenue receivable from online video platforms for online broadcasting and sale of tie-in merchandise. The following chart illustrates the market size for TV variety programs for the period indicated.



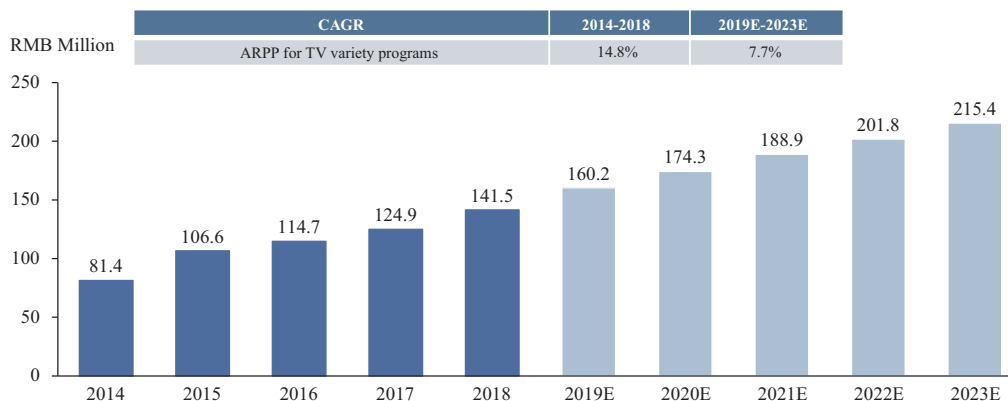
Note: Market size refers to revenue from media platforms and corporate sponsors as well as sale of derivative products generated by TV variety programs.

Source: Frost & Sullivan Analysis and Estimate

INDUSTRY OVERVIEW

The average revenue per program (ARPP) for TV variety programs in China increased from RMB81.4 million in 2014 to RMB141.5 million in 2018, and is expected to reach RMB215.4 million in 2023. The increase is primarily because corporate sponsors are more willing to invest in top TV variety programs that are able to provide more effective advertising results. TV variety programs that were unable to attract enough corporate sponsors and other advertisers were no longer broadcast due to cost considerations. The following chart illustrates the actual and forecasted ARPP for TV variety programs in China for the period indicated.

ARPP for TV Variety Programs (China), 2014-2023E



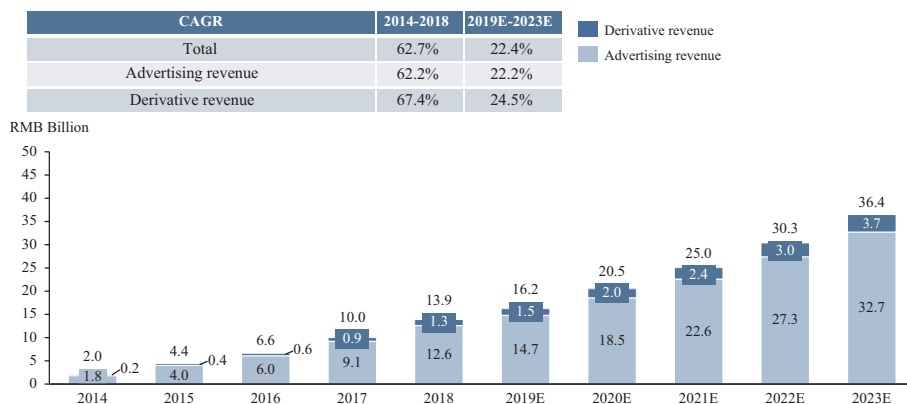
Note: Average revenue per program for TV variety programs includes advertising revenue and revenue from derivative products.

Source: Frost & Sullivan Analysis and Estimate

Made-for-internet Variety Programs

Revenue generated by made-for-internet variety programs increased from RMB2.0 billion in 2014 to RMB13.9 billion in 2018, at a CAGR of 62.7%, and is expected to increase to RMB36.4 billion in 2023 at a CAGR of 22.4%. This increase is primarily driven by the continued development of online video platforms in China. The following chart illustrates the actual and forecasted market size by revenue and number of made-for-internet variety programs for the period indicated.

Market Size and Number of Made-for-internet Variety Programs (China), 2014-2023E



Note: Market size refers to advertising revenue and revenue from derivative products generated by made-for-internet variety programs.

Source: Frost & Sullivan Analysis and Estimate

INDUSTRY OVERVIEW

Competitive Landscape

Main program producers in the variety program market can be categorized into three types: independent producers of variety programs, in-house video content production teams from TV networks and in-house video content production teams from online video platforms. In-house video content production teams of media platforms primarily serve their internal production needs, and often collaborate with independent producers to co-produce programs. Therefore, there is limited competition between these different types of producers. The variety program market in China is highly competitive and fragmented, with over 18,000 companies licensed to operate. In 2018, independent variety program producers produced (excluding programs where those producers were being engaged to provide specific services and were not involved in the entire production process) 130 new variety programs, accounting for approximately 35.6% of the 364 new variety programs broadcast in 2018. The top 20 independent variety program producers, in terms of revenue from variety programs in 2018, collectively accounted for a 12.2% market share of the variety program market, while the remaining participants held an 87.8% market share. Among the leading independent variety program producers, the fastest-growing companies in terms of growth rate of revenue from variety programs include Company S, Company C, Company J, Company F and our Group. The following chart illustrates the key information of the top 20 independent producers of variety programs in 2018.

Key Information of Leading Independent Variety Program Producers by Revenue (2018)

Ranking	Company	Background	Revenue from variety programs (RMB million)	Growth rate of revenue from variety programs (2018 vs 2017) (%)	Market share ⁽¹⁾ (%)	Number of programs released in 2018
1	A	Established in 2006 and based in Shanghai, with a focus on TV and made-for-internet variety programs	1,434.9	(30.3)	3.0	6
2	B	Established in 2015 and based in Nanjing, with a focus on TV variety programs	689.2	13.5	1.4	5
3	C	Established in 2014 and based in Beijing, with a focus on made-for-internet variety programs	491.3	308.0	1.0	5
4	D	Established in 2014 and based in Beijing, with a focus on comedy TV variety programs	400.0	(14.2)	0.8	3
5	E	Established in 2005 and based in Hangzhou, with a focus on drama series and TV variety programs	383.4	35.6	0.8	2
6	F	Established in 2014 and based in Shanghai, with a focus on comedy made-for-internet variety programs	369.1	101.8	0.8	2
7	G	Established in 2016 and based in Beijing, with a focus on TV variety programs	360.0	12.5	0.8	3
8	THE GROUP		279.9	96.1	0.6	4
9	H	Established in 2015 and based in Shanghai, with a focus on drama series, variety programs and talent coordination	173.6	(77.6)	0.4	2

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Ranking	Company	Background	Revenue from variety programs (RMB million)	Growth rate of revenue from variety programs (2018 vs 2017) (%)	Market share ⁽¹⁾ (%)	Number of programs released in 2018
10	I	Established in 1999 and based in Beijing, with a focus on TV and made-for-internet variety programs, drama series, movies and online gaming	164.8	8.6	0.3	4
11	J	Established in 2017 and based in Beijing, with a focus on talent management and variety programs	163.9	235.5	0.3	2
12	K	Established in 2015 and based in Shenzhen, with a focus on TV and made-for-internet variety programs	163.5	53.1	0.3	1
13	L	Established in 2002 and based in Beijing, with a focus on variety programs, drama series, film operations of sporting activities and marketing activities	150.0	(68.4)	0.3	2
14	M	Established in 2006 and based in Shanghai, with a focus on TV and made-for-internet variety programs	148.2	(1.7)	0.3	3
15	N	Established in 2015 and based in Beijing, with a focus on made-for-internet variety programs	123.9	(25.9)	0.3	2
16	O	Established in 2015 and based in Beijing, with a focus on made-for-internet variety programs	97.7	(59.4)	0.2	1
17	P	Established in 2013 and based in Beijing, with a focus on TV and made-for-internet variety programs	89.9	(1.3)	0.2	3
18	Q	Established in 2007 and based in Shanghai, with a focus on TV variety programs	77.6	(75.9)	0.2	2
19	R	Established in 2015 and based in Beijing, with a focus on TV and made-for-internet variety programs	70.3	1,051.7	0.1	2
20	S	Established in 2014 and based in Shanghai, with a focus on made-for-internet variety programs and made-for-internet drama series	34.8	(46.3)	0.1	1
Total			5,865.8	–	12.2	–

Source: Company Disclosure; Primary and Desktop Research; Frost & Sullivan Analysis and Estimate

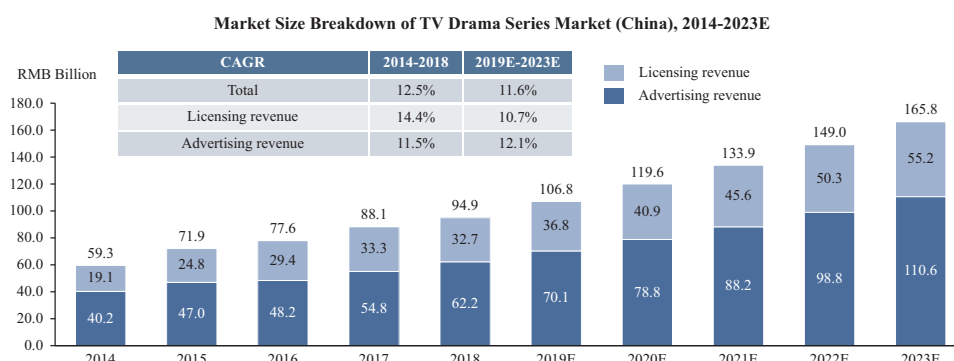
(1) Calculated by dividing revenue from variety programs of the company indicated by the total market size of the variety program market in China in 2018.

THE TV DRAMA SERIES MARKET IN CHINA

TV drama series refers to drama series that obtain distribution licenses issued by the NRTA. A TV drama series can be broadcast on both TV networks and online video platforms. Normally, revenue generated from TV drama series primarily consists of copyright licensing revenue and advertising revenue, and to a lesser extent, revenue from the sales of derivative products. Video program producers in the TV drama series market primarily generate revenue from copyright licensing, and to a lesser extent, from program advertising. TV networks primarily generate revenue from program advertising.

INDUSTRY OVERVIEW

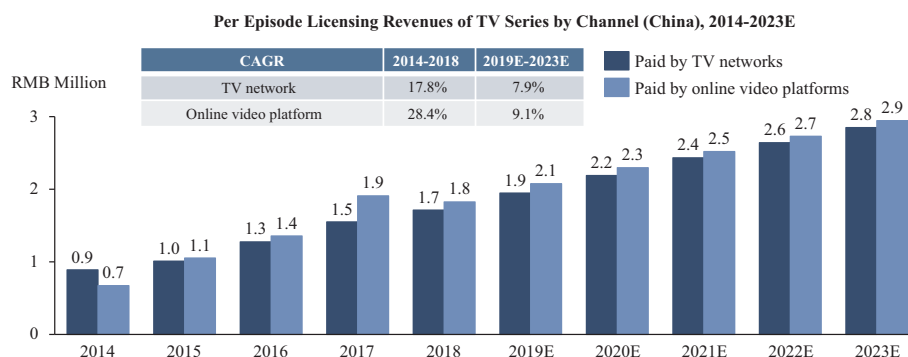
The following chart illustrates the actual and forecasted market size of the TV drama series market in China by total revenue for the period indicated.



Note: Market size refers to the licensing revenue and advertising revenue of TV drama series generated through TV networks and online video platforms.

Source: Frost & Sullivan Analysis and Estimate

TV drama series can be broadcast on both TV networks and online video platforms. The licensing revenue per episode (LRPE) for TV drama series paid by TV networks increased from RMB0.9 million in 2014 to RMB1.7 million in 2018, and is expected to reach RMB2.8 million in 2023. During the same period, LRPE for TV drama series paid by online video platforms increased from RMB0.7 million to RMB1.8 million, and is expected to reach RMB2.9 million in 2023. The increase in LRPE for TV drama series is primarily driven by increasing investment from TV drama series production companies, which in turn was driven by the increasing demand by TV networks for high-quality TV drama series. To gain better viewership ratings, TV networks have a strong demand to purchase TV drama series with higher quality and popular celebrities, as these TV drama series are likely to attract a larger audience. At the same time, high-quality programs and A-list celebrities also mean significant capital investments. The following chart illustrates the actual and forecasted LRPE for TV drama series in China for the period indicated.



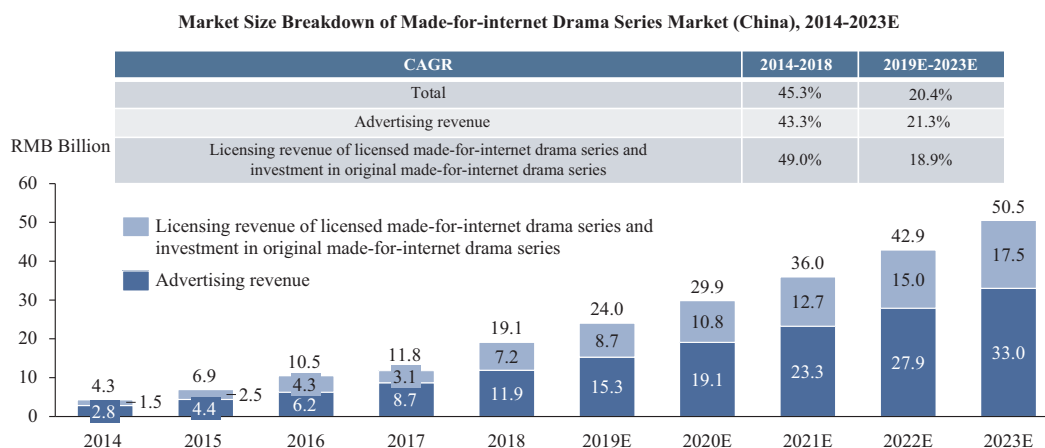
Source: Frost & Sullivan Analysis and Estimate

THE MADE-FOR-INTERNET DRAMA SERIES MARKET IN CHINA

A made-for-internet drama series refers to drama series that are broadcast on online video platforms only. Generally, total revenue generated by a made-for-internet drama series contains licensing revenue and advertising revenue. The made-for-internet drama series market in China has grown rapidly as online video platforms in China became increasingly popular. In addition to the

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broadcast channels of made-for-internet drama series, some online video platforms in China also purchase licenses for original made-for-internet drama series content from third-party professional content producers and invest in their production. Moreover, the application of big data analysis enables online video platforms to better understand the preferences of their target audiences. Based on such analysis, it is possible for these online video platforms to produce made-for-internet drama series that attract large audiences. As a result of the foregoing, the market size of made-for-internet drama series market in China is expected to continue to grow. The following chart illustrates the actual and forecasted market size of the made-for-internet drama series market in China by total revenue for the period indicated.



Source: Frost & Sullivan Analysis and Estimate

COMPETITIVE LANDSCAPE OF THE DRAMA SERIES MARKET IN CHINA

Normally, a drama series production company is capable of producing both TV drama series and made-for-online drama series. The drama series market in China is highly competitive and fragmented. In 2018, the top 10 drama series production companies in terms of 2018 revenue collectively accounted for approximately 12.4% of the total drama series market in China. Generally, companies with strong industry experience and the ability to integrate drama series content, experienced director teams and skilled actors/actresses have greater chance to outperform their competitors. The following table illustrates key information of the top 10 drama series production companies in 2018.

Ranking	Company	Background	Revenue generated from drama series in 2018 (RMB billion)	Market share ⁽¹⁾ (%)
1	A1	Established in 2005 and based in Hangzhou, with a focus on drama series and TV variety programs	4.5	3.9
2	A2	Established in 1999 and based in Beijing, with a focus on TV and made-for-internet variety programs, drama series, movies and online gaming	1.8	1.5
3	A3	Established in 2003 and based in Jinzhou, with a focus on molybdenum, drama series, and movies	1.3	1.1
4	A4	Established in 2007 and based in Beijing, with a focus on production and distribution of drama series and theatrical movie	1.2	1.0

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Ranking	Company	Background	Revenue generated from drama series in 2018	Market share ⁽¹⁾
			(RMB billion)	(%)
5	A5	Established in 1998 and based in Jiaxing, with a focus on production and distribution of drama series and artist management business	1.1	1.0
6	A6	Established in 2006 and based in Chongqing, with a focus on production and distribution of drama series and the artist management business	1.1	1.0
7	A7	Established in 1994 and based in Beijing, with a focus on production and distribution of drama series and theatrical movies	0.9	0.8
8	A8	Established in 1992 and based in Wuhan, with a focus on operation of drama series, cinema management and sports activities	0.8	0.7
9	A9	Established in 2012 and based in Shanghai, with a focus on production and distribution of drama series	0.8	0.7
10	A10	Established in 2003 and based in Beijing, with a focus on production and distribution of drama series	0.7	0.7
Total			14.2	12.4

Source: Primary and Desktop Research; Frost & Sullivan Analysis and Estimate

(1) Calculated by dividing revenue from drama series of the company indicated by the total market size of the drama series market in China in 2018.

MARKET DRIVERS AND FUTURE TRENDS

The primary market drivers and future trends for the video content market in China include the following:

- *Continuing growth of demand for entertainment.* Rising disposable income and living standards in China has led to consumption upgrades, and Chinese consumers are seeking high quality and diversified entertainment products. Such trends provide opportunities for the development of the video content market in China.
- *Market consolidation.* In a highly fragmented market such as the video content market, leading market participants that have extensive market experience and more access to corporate sponsors and media platforms are more likely to outperform their competitors.
- *Growth of independent video program producers.* The government policy of separating production and broadcasting of TV programs has been increasingly implemented in 2009, with more TV programs being developed and produced by independent producers of TV programs, while TV networks retain broadcasting responsibilities. TV networks generally prefer to work with independent video program producers that have integrated capabilities to develop, produce, market and distribute TV programs.
- *Continuing investment and advertising spending on video content programs.* In general, programs with higher investments have better qualities. A high quality program is generally able to attract more viewers and bring more investment returns. Therefore, as a result of the intensified competition in the video content market, market players with more financial resources will continue to be willing to increase their investments in programs to gain a competitive edge.

INDUSTRY OVERVIEW

- *Increasing original content.* Due to the audiences' rising expectation for high quality video content programs, video program producers have endeavored to produce original programs. Some of them have established in-house research teams focusing on content development and audience behavior analysis. Because of such efforts, more original programs that are more likely to achieve strong viewership ratings are produced.

ENTRY BARRIERS AND FACTORS OF SUCCESS

Although China's video content operation industry is highly fragmented with more than 18,000 companies, success in the industry has proved to be more difficult to reach. The key entry barriers and factors of success to this industry include:

- *Ability to create high quality original content.* Normally, experienced market players have professional in-house content developing teams with a proven track record, ensuring the quality of their video content programs. The cultivation of the ability to create content is time-consuming and difficult for the new entrants.
- *Partnership resources.* Video program producers need to collaborate with media platforms to broadcast their programs. Normally, media platforms prefer to broadcast programs produced by experienced video program producers with a proven track record, because they are more likely to have better quality. Therefore, it is hard for new entrants to establish stable relationships with media platforms at the beginning due to their lack of experience and track record. On the corporate sponsor and advertiser side, existing market players have established long-term and stable cooperative relationships with major corporate sponsors and other advertisers in the market. They are also more experienced in balancing satisfying corporate sponsors and other advertisers and ensuring the quality of their programs. The ability to secure corporate sponsors and other advertisers is critical to the sustainable growth of the video program producers, which is difficult for new entrants to achieve in a short period of time.
- *Capital requirements.* Video content, such as TV and made-for-internet programs, require significant upfront investment from video program producers to develop and produce, while video program producers typically receive payments from corporate sponsors and media platforms at later stages. Moreover, it is not uncommon for TV networks to have long payment periods to suppliers, such as video program producers, which may be a challenge for new entrants with less capital.

COST STRUCTURE

A video program producer's investment in variety programs (comprised mainly of production and celebrity costs) in China may vary from program to program. The investment amount is largely affected by the program time slot, program quality, celebrities involved and broadcasting media platform for the program, among other factors.

REGULATORY OVERVIEW

Our business and operations in the PRC are subject to laws and regulations issued by various PRC government authorities. Set forth below are the principal laws and regulations applicable to our current business and operations in the PRC.

REGULATIONS IN RELATION TO FOREIGN INVESTMENT

The establishment, operation and management of companies in PRC are governed by the PRC Company Law which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994 and was last revised on October 26, 2018. Under the PRC Company Law, companies are generally classified into two categories, i.e. limited liability companies and companies limited by shares. Each a limited liability company or a company limited by shares is an enterprise legal person, and liable for its debts with all its assets. The PRC Company Law is also applicable to foreign-invested companies, except otherwise set out in any other regulations.

On June 30, 2019, the Catalogue of Industries for Encouraged Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄 (2019年版)》) (the “Catalogue”) was promulgated by the National Development and Reform Commission (中華人民共和國國家發展和改革委員會) (the “NDRC”) and the MOFCOM, and entered into force from July 30, 2019. Encouraged foreign investment industries of the Catalog for the Guidance of Foreign Investment Industries (Revised in 2017) (《外商投資產業指導目錄 (2017年修訂)》) released on June 28, 2017 and the Catalog of Priority Industries for Foreign Investment in the Central-Western Region (Revised in 2017) (《中西部地區外商投資優勢產業目錄 (2017年修訂)》) released on February 17, 2017, were repealed simultaneously. On June 30, 2019, the Special Administrative Measures for the Admission of Foreign Investment (Negative List) (2019 Edition) (《外商投資准入特別管理措施 (負面清單) (2019年版)》) (“Negative List 2019”) was promulgated by the NDRC and the MOFCOM, and entered into force from July 30, 2019. The Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施 (負面清單) (2018年版)》) released on June 28, 2018, was repealed simultaneously. The Catalogue and Negative List 2019 stipulated in detail the areas of entry pertaining to the categories of encouraged foreign investment industries, restricted foreign investment industries and prohibited foreign investment industries. Any industry not listed in the Catalogue or Negative List 2019 is a permitted industry.

On March 15, 2019, the Foreign Investment Law 《中華人民共和國外商投資法》 was formally passed by the Thirteenth National People’s Congress of the PRC and has taken effect as of January 1, 2020. The Foreign Investment Law has replaced the Chinese-Foreign Equity Joint Ventures Law (《中外合資經營企業法》), the Chinese-Foreign Contractual Joint Ventures Law (《中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. To implement the Foreign Investment Law, the State Council promulgated the Implementing Regulations of the Foreign Investment Law 《外商投資法實施條例》, and MOFCOM and SAMR further promulgated the Measures for Reporting of Information on Foreign Investment 《外商投資信息報告辦法》. As of January 1, 2020, the establishment of the foreign invested enterprises, including establishment through purchasing the equities of a domestic non foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign funded enterprise, and its subsequent changes are required to submit an initial or change report through the Enterprise Registration System.

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REGULATIONS IN RELATION TO PRODUCTION AND DISTRIBUTION OF RADIO AND TELEVISION PROGRAMS

According to the Regulations on Radio and Television Administration (Revised in 2017) (《廣播電視管理條例(2017年修訂)》) promulgated by the State Council on August 11, 1997 and was last revised on March 1, 2017, radio and television programs shall be made by radio stations, television stations, radio and television programs production and distribution institutions whose establishment has been approved by the departments of radio and television administration at or above the provincial level governments. Radio station or television station shall not broadcast programs produced by institutions without the licenses for radio and television program production and distribution.

Pursuant to the Administrative Provisions on the Production and Distribution of Radio and Television Programs (《廣播電視節目製作經營管理規定》), which was promulgated by SARFT on July 19, 2004 and came into effect on August 20, 2004, and was last revised on October 31, 2018, the License for Production and Distribution of Radio or Television Programs shall be obtained by establishing institutions that produce and distribute radio and television programs or engaging in the activities of production and distribution of radio and television programs. The License for Produce Television Series (《電視劇製作許可證》) and relevant distribution license shall be obtained for the production and distribution of television series respectively. Radio and television broadcasting institutions shall not broadcast television series produced by institutions without License for Production and Distribution of Radio or Television Programs or television series without relevant distribution license.

Pursuant to the Administrative Provisions for Contents of TV Series (《電視劇內容管理規定》) which was promulgated by the SARFT on May 14, 2010 and came into effect on July 1, 2010, and was last revised on October 31, 2018, the record-filing and announcing system, and the content examination and distribution licensing system shall be implemented for the domestically produced TV series. The TV series without the distribution license shall not be distributed, broadcast or appraised for awards.

Administration Measures for the Filing and Announcement of the Production of TV Series (《電視劇拍攝製作備案公示管理辦法》), which was promulgated by the State Administration of Press and Publication, Radio, Film and Television (國家新聞出版廣電總局) (“SAPPRFT,” which is the predecessor of the NRTA) on September 22, 2013 and came into effect on December 1, 2013, detailed the measures regarding the record-filing and announcing system of the TV series.

On October 31, 2018, the NRTA issued the notice of Further Strengthening the Administration on Radio or Television Programs and Online Audio-visual Entertainment Programs (《關於進一步加強廣播電視和網絡視聽文藝節目管理的通知》). For the purposes of ensuring the sound and orderly development of radio, television and network audiovisual entertainment programs, the NRTA requires that, among other things, the total payment for all performers of a television series or web series (or online motion picture) shall not exceed 40% of the total production cost, and the payment for principal performers shall not exceed 70% of the total payment of all performers. If the aforesaid allocation is violated and there is no justification or concealment is conducted, the NRTA shall, according to the circumstances, adopt punitive measures according to the law such as suspension and cancelation of broadcast of the series or production qualifications. TV series and web

REGULATORY OVERVIEW

series which the performers' payment exceeds the required cap shall not participate in the election or awards, nor be entitled to government funding or subsidies. Furthermore, the NRTA requires that broadcasting institutions shall be strictly prohibited from requesting a television rating covenant from production institutions, and the valuation adjustment mechanism agreement as to television ratings shall be strictly prohibited. Institutions or individuals shall be strictly prohibited from disrupting or falsifying television rating (click-through rate) data.

In addition, foreign investment in television program production and distribution companies is prohibited pursuant to the Negative List 2019. Pursuant to Supplemental Notice of Circular on Further Strengthening the Administration of Online Audio-visual Programs Including Online Dramas and Micro Films (《關於進一步完善網絡劇、微電影等網路視聽節目管理的補充通知》) on January 2, 2014, television programs include TV programs and online programs.

REGULATIONS IN RELATION TO PRODUCTION OF ONLINE DRAMAS

Pursuant to Circular on Further Strengthening the Administration of Online Audio-visual Programs Including Online Dramas and Micro Films (《關於進一步加強網絡劇、微電影等網絡視聽節目管理的通知》) promulgated by the SARFT on July 6, 2012, before broadcasting the online dramas, micro films and other online audio-visual programs, internet audio-visual program service units shall organize examiners to examine the contents of online dramas, micro films and other online audio-visual programs proposed to be broadcast, and then broadcast them on the Internet after such programs are examined and approved. And internet audio-visual program service institutions shall report the information on examined and approved online dramas, micro films and other online audio-visual programs to the provincial radio, film and television administration for record-filing.

Pursuant to the Notice about Upgrading the Information Recording Filing System of the Internet Audio-visual Program (《關於網絡視聽節目資訊備案系統升級的通知》) promulgated by NRTA on December 27, 2018, since February 15, 2019, the main body of information filing for major online dramas (including online series, films and cartoons) has changed from the internet audio-visual program service institutions to the producing institutions. The producing institutions shall, before the production of major online dramas (including online series, films and cartoons), which includes online series (cartoons), the investment amount of which exceeds RMB 5 million, and major online films, the investment amounts of which exceeds RMB 1 million, register the program information through the information recording filing system. Upon the completion of production, the producing institutions shall register through the system as well and submit the completed dramas to NRTA or its provincial counterpart. Record-filing numbers would be issued to qualified dramas and only online dramas with the record-filing numbers can be broadcast and popularized on audio-visual website.

Pursuant to Supplemental Notice of Circular on Further Strengthening the Administration of Online Audio-visual Programs Including Online Dramas and Micro Films (《關於進一步完善網絡劇、微電影等網絡視聽節目管理的補充通知》) promulgated by the SAPPRFT on January 2, 2014, enterprises engaged in production online dramas and micro films shall obtain the License for Production and Distribution of Radio or Television Programs. Internet audio-visual program service institutions shall not broadcast online dramas and micro films produced by enterprises without the above License. In order to meet the development needs of the internet audio-visual program service industry, on March 10, 2017, the SAPPRFT promulgated Public Notice of the State Administration of Press, Publication, Radio, Film and Television on Adjusting the Classified Catalog of Internet

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Audiovisual Program Services (for Trial Implementation) (《國家新聞出版廣電總局關於調整<互聯網視聽節目服務業務分類目錄(試行)>的通告》), which clarified a scope of internet audio-visual programs services. According to the Categories, there are four categories of internet audio-visual program services which are further divided into seventeen sub-categories.

POLICY ON SEPARATION OF PRODUCTION FROM PUBLISHING AND BROADCASTING

Pursuant to the Decision of the CCCPC on Several Major Issues Concerning Comprehensively Deepening Reforms (《中共中央關於全面深化改革若干重大問題的決定》), which was promulgated on November 12, 2013, on the premise of adhering to franchise of copyright and broadcast rights, CCCPC allows the separation of production from publishing and broadcasting, and establishment of multi-level cultural products and element markets and encourage the combination of financial capital, social capital and cultural resources. The objective of this is to encourage the development of program production houses (including independent program production houses and online video platforms' internal program production teams) in the private sector. Also, the implementation of this promotes the establishment of a market of fair competition with more opportunities given to independent program production houses.

REGULATIONS IN RELATION TO ADVERTISING SERVICES

Pursuant to Advertising Law of the PRC (《中華人民共和國廣告法》) promulgated by the SCNPC on October 27, 1994 and last amended in 2018 which became effective on October 26, 2018, the term “advertisers” refers to natural persons, legal persons, or other organizations that, design, produce or publish advertisements, directly or through certain agents, for the purpose of promoting products or services. The term “advertisement agent” refers to those natural persons, legal persons, or other organizations that provide services of advertisement designing and production or other related services on a commission basis. The term “advertisement publishers” refers to those natural persons, legal persons or other organizations that publish advertisements for the advertisers or for those advertisement agents that are consigned by the advertisers. Advertisements shall not contain any false or misleading contents, and shall not deceive or mislead the consumers. Publishing false advertisements that deceive or mislead consumers, causing damages to the lawful rights and interests of consumers who have purchased the commodities or accepted the services as advertised, the advertisers shall bear civil responsibilities. Whereas an advertisement agent or publisher fails to provide the true name and address of the advertiser(s), the consumers may require the agent of publisher to make advance compensation. Where false advertisements for products or services relating to the life and health of consumers cause damage to the consumers, the advertising agents, advertisement publishers or advertisement endorsers for such advertisements shall bear joint and several liabilities with the advertisers concerned. And where false advertisements for products or services other than those as set out in the preceding paragraph cause damage to the consumers, in case that the advertising agents, advertisement publishers or advertisement endorsers for such advertisements still design, produce, provide agency, publish or make endorsements or testimonials for the advertisements even though they know or should know the advertisements are false, they shall bear joint and several liabilities with the advertisers concerned.

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REGULATIONS IN RELATION TO THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

Pursuant to the M&A Rules, mergers and acquisitions of domestic enterprises by foreign investors refers to:

- a foreign investor converts a non-foreign invested enterprise (domestic company) to a foreign invested enterprise by purchasing the equity interest from the shareholder of such domestic company or the increased capital of the domestic company; this is defined as “equity merger and acquisition”; or
- a foreign investor establishes a foreign invested enterprise to purchase the assets from a domestic enterprise by agreement and operates the assets therefrom; or foreign investor purchases the assets from a domestic enterprise by agreement and uses these assets to establish a foreign invested enterprise for the purpose of operation of such assets; this is defined as “assets merger and acquisition.”

Pursuant to the M&A Rules, mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOFCOM or its delegates at provincial level. In the event that any domestic company, enterprise or natural person merges or acquires a domestic company that has affiliated relationship with it through an overseas company legally established or controlled by such domestic company, enterprise or natural person, the merger and acquisition applications shall be submitted to the MOFCOM for approval. The person concerned may not evade from the above requirements by domestic investment of the foreign-invested enterprises or by other means.

REGULATIONS IN RELATION TO FOREIGN EXCHANGE

General Administration of Foreign Exchange

According to the Regulations on Foreign Exchange Administration of the PRC (Revised in 2008) (《中華人民共和國外匯管理條例（2008年修訂）》) which was promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and was last revised on August 5, 2008, RMB is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interests and dividends. Current account foreign exchange income may, in accordance with relevant provisions of the PRC, be retained or sold to any financial institution engaged in foreign exchange settlement and sales business. The conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from the SAFE or its local branches. Payments for transactions that take place within the PRC must be made in RMB. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local branches.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for 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》) (the “SAFE Circular No. 59”) which was promulgated by the SAFE on November 19, 2012, and became effective on December 17, 2012 and was last revised on October 10,

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2018, the approval is not required for the opening of an account entry in foreign exchange accounts under direct investment or for domestic transfer of the foreign exchange under direct investment. SAFE Circular No. 59 also simplifies the capital verification and confirmation formalities for foreign invested enterprises, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire the equity interests and foreign exchange registration formalities required for the foreign investors to acquire the equity interests of Chinese party, and further improves the administration on exchange settlement of foreign exchange capital of foreign invested enterprises.

In light of The Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “SAFE Circular No. 13”) promulgated by the SAFE on February 13, 2015 and became effective on June 1, 2015, to improve the efficiency on foreign exchange management, the SAFE has canceled the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment. In addition, SAFE Circular No. 13 simplifies the procedure of registration of foreign exchange and investors shall register with banks to have the registration of foreign exchange under the condition of direct domestic investment and direct overseas investment.

The Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Circular 19, which was promulgated by the SAFE on March 30, 2015 and came into effect as of June 1, 2015, adopts the approach of discretionary foreign exchange settlement. The discretionary settlement of the foreign exchange capital of foreign-invested enterprises refers to that the settlement of foreign exchange capital in the capital accounts of foreign-funded enterprises that have been subject to the confirmation of cash capital contribution at foreign exchange authorities (or the entry registration of cash contribution at banks) may be handled at banks based on the enterprises’ actual requirements for business operation. The proportion of discretionary settlement of foreign exchange capital of foreign-funded enterprises is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate times.

Regulations in Relation to Offshore Investment

Pursuant to the Circular on Issues concerning Foreign Exchange Administration over the Circular 37 which was promulgated by the SAFE on July 4, 2014 and came into effect on the same date, a domestic resident shall, before contributing the domestic and overseas lawful assets or interests to a SPV, apply to the foreign exchange office for foreign exchange registration of overseas investments. In addition, in the event of any change of basic information of the overseas SPV such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the modification of foreign exchange registration procedures for offshore investment. After the completion of the overseas financing, the SPV shall comply with the related provisions on Chinese foreign investment and foreign debt administration if the capital financed is repatriated for use within the territory of China. Failure to comply with the registration procedures as set out in SAFE Circular 37 may result in penalties.

The SAFE Circular No. 13 has further revised Circular 37 by requiring domestic residents to register with qualified banks rather than the SAFE or its local counterparts in connection with their

REGULATORY OVERVIEW

establishment or control of an offshore entity established for the purpose of overseas investment or financing.

TAXATION LAWS

Enterprise Income Tax

According to the EIT Law, which was promulgated by the NPC on March 16, 2007 and came into effect on January 1, 2008, and was last revised by SCNPC on December 29, 2018, and the Implementing Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “Implementation Rules”) were promulgated by the State Council on December 6, 2007 and came into effect as of January 1, 2008, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside China. Under the EIT Laws and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in China, or if they have formed permanent establishment institutions or premises in China but there is no actual relationship between the relevant income derived in China and the established institutions or premises set up by them, the EIT is, in that case, set at the rate of 10% for their income sourced from inside China.

According to the Several Opinions of the State Council on Supporting the Construction of Kashgar and Korgos Economic Development Zones (《國務院關於支持喀什霍爾果斯經濟開發區建設的若干意見》), which was promulgated by the State Council on September 30, 2011, and the Notice of the Preferential Policies of Enterprise Income Tax in the Two Special Economic Development Zones of Kashgar and Korgos in Xinjiang (《財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》), which was promulgated by the Ministry of Finance of the PRC (國家財政部) (the “MOF”) and the SAT on November 29, 2011, from the year 2010 to 2020, the enterprises newly established in the Kashgar and Korgos within the Catalog of Income Tax Preferences for Enterprises of Materially Encouraged Industries in Difficult Areas of Xinjiang (the “Catalog of Income Tax Preferences”) shall be granted the preferential treatment of five-year EIT exemption since the taxable year when the first business income is obtained. Radio, film and television production, distribution, transaction, projection, publication and creation of derivative production are included in Catalog of Income Tax Preferences.

Pursuant to an 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 Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “Double Tax Avoidance Arrangement”), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from competent tax authority.

REGULATORY OVERVIEW

However, based on the Notice on Certain Issues with Respect to the Enforcement 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》) (the “Notice No. 81”) issued by the SAT on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

Value Added Tax

Pursuant to the Interim Regulations of the PRC on Value-added Tax (Revised in 2017) (《中華人民共和國增值稅暫行條例》) (the “VAT Regulations”) which was promulgated by the State Council on December 13, 1993 and was last revised on November 19, 2017, all entities and individuals engaging in the sale of goods, provision of processing, repair and fitting services, sale of services, intangible assets, real property and importation of goods within the territory of the PRC are taxpayers of VAT, and shall pay VAT in accordance with the VAT Regulations. According to the VAT Regulations, a VAT tax rate at 6%, 11% or 17% applies to the PRC enterprises unless otherwise exempted or reduced according to the VAT Regulations and other relevant regulations.

According to the Notice of the MOF and the SAT on Adjusting the Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated on April 4, 2018 and became effective on May 1, 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to 16% and 10%, respectively.

According to the Announcement of the MOF, the STA and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), which was promulgated on March 20, 2019 and became effective on April 1, 2019, a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable 16% and 10% tax rates are adjusted to 13% and 9%, respectively.

REGULATIONS IN RELATION TO EMPLOYMENT AND SOCIAL WELFARE

The Labor Law and the Labor Contract Law

According to the Labor Law of the PRC (Revised in 2008) (《中華人民共和國勞動法》(2008年修訂)) which was promulgated by the SCNPC on July 5, 1994 and came into effect on January 1, 1995, and was last revised on December 29, 2008, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in China. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

The principal regulations governing the employment contract is the PRC Labor Contracts Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2008 and was revised on December 28, 2008. Pursuant to the PRC Labor Contracts Law, employers shall establish employment relationship with employees on the date that they start employing the

REGULATORY OVERVIEW

employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

Social Insurance and Housing Fund Regulations

According to the Social Insurance Law of the PRC (Revised in 2018) (《中華人民共和國社會保險法(2018年修訂)》) which was promulgated by the SCNPC on October 28, 2010 and came into effect on July 1, 2011 and was revised on December 29, 2018, employers are required to provide their employees in the PRC with welfare schemes covering pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. If an employer does not pay the full amount of social insurance premiums as required by law, the social insurance premium collection institution shall order the employer to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If such overdue payment is not made within the stipulated period, the relevant administration government department shall impose a fine from one to three times the amount of overdue payment.

Pursuant to the Regulations of Housing Fund (《住房公積金管理條例》), which was promulgated by State Council and came into force in April 3, 1999, and was last revised on March 24, 2019, enterprises must complete registration at the competent administrative center of housing fund and go through the procedures of opening the account of housing fund for their employees at the relevant bank upon the examination by such administrative center of housing fund. Enterprises as employers are also obliged to timely pay and deposit housing fund for their employees in full amount.

REGULATIONS IN RELATION TO INTELLECTUAL PROPERTY

Copyright

According to the Copyright Law, which was promulgated by SCNPC on September 7, 1990 and came into effect on June 1, 1991 and was last revised on February 26, 2010, works of Chinese citizens, legal persons or other organizations, whether published or not, enjoy copyright protection under Copyright Law. Works of non-Chinese nationals or stateless persons which were first published in the territory of China enjoy copyright protection under Copyright Law. The term "copyright" shall include the following personal rights and property rights: 1) the right of publication; 2) the right of authorship; 3) the right of modification; 4) the right of integrity; 5) the right of reproduction; 6) the right of distribution; 7) the right of rent; 8) the right of exhibition; 9) the right of performance; 10) the right of projection; 11) the right of broadcasting; 12) the right of communication of information via network; 13) the right of cinematization; 14) the right of adaptation; 15) the right of translation; 16) the right of compilation; and 17) the other rights to which a copyright owner is entitled. The right stipulated above in items 1) and 5) to 17) of the Copyright in respect of a cinematographic work, a work created by a process analogous to cinematography or a photographic work shall be protected for a period of 50 years, ending on December 31st of the 50th year after the date on which the work is first published, but if such work is not published within 50 years after its completion, it shall no longer be protected under Copyright Law. An author's rights of authorship, revision and integrity shall continue in perpetuity.

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The copyright in a cinematographic work or a work created by a process analogous to cinematography vests in the producer of such work. However, the screenwriter, director, cinematographer, lyricist, composer, and other authors also enjoy the right of authorship in the work, and have the right to receive remuneration pursuant to the contract entered into with the producer. The authors of the screenplay, musical work and other works that form part of a cinematographic work or a work created by a process analogous to cinematography and can be used separately have the right to exercise their copyright independently.

Pursuant to Implementing Regulations of the Copyright Law of the PRC (Revised in 2013) (《中華人民共和國著作權法實施條例(2013年修訂)》) which was promulgated by State Council on August 2, 2002 and came into effect on September 15, 2002, and was revised on January 30, 2013, copyright shall be generated on the date when the creation of a work is completed. Where a joint work cannot be used separately, the copyright shall be jointly enjoyed by, and exercised through consultation between or among, the co-authors. Where they fail to reach an agreement and have no justified reasons for the failure, no party may hinder any of the other parties from exercising all the rights, except the right of assignment. However, the income generated from the joint work shall be fairly distributed between or among the co-authors.

Trademarks

Both Trademark Law of the PRC (Revised in 2013) (《中華人民共和國商標法(2013年修訂)》), which was promulgated by the SCNPC in August 23, 1982 and was last revised on August 30, 2013, and the Implementing Regulations of Trademark Law (Revised in 2014) of the PRC (《中華人民共和國商標法實施條例(2014年修訂)》) which was promulgated by the State Council on August 3, 2002, and was revised on April 29, 2014 and became effective on May 1, 2014 provide protection to the holders of registered trademarks. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective trademarks and certificate trademarks.

A registered trademark is valid for ten years and is renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office for record.

Domain Name

The MIIT promulgated the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (the “Domain Name Measures”) on August 24, 2017, which became effective on November 1, 2017. According to the Domain Name Measures, domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC internet domain names. The domain name services follow a “first apply, first register” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted Company with limited liability on May 28, 2019. Since its incorporation, our Company has been an investment holding company. As part of the Reorganization, our Company became the holding company and the listing vehicle of our Group.

We are a rapidly growing independent producer of variety programs in China. The history of our Group can be traced back to 2014, when Ms. Li Ying, mother of Mr. Liu, established Zhongguang Yusheng. For more information on the background and relevant experience of Mr. Liu, please refer to the section headed “Directors and Senior Management.” In October 2015, we released our first program, “Hello Food” (誰是你的菜), the concept of which is to discover what celebrities are like in real life through discussions about food. Since then, we continued to expand our program portfolio and released, among others, “Super Show” (超級大首映), “Hello! Interviewer” (你好！面試官) and “Hey! Let’s Sing” (嗨！唱起來). In terms of the revenue of 2018, we were the 8th largest independent producer of variety programs in China.

MILESTONES OF DEVELOPMENT

The following is a summary of our major business development milestones:

<u>Year</u>	<u>Event</u>
2014	Zhongguang Yusheng was established in April.
2015	“Hello Food” (誰是你的菜), our first program, was released in October.
2016	Zhongguang Yusheng was awarded the Most Commercially Valuable Content Operation Organization (年度最具商業價值內容運營機構) by SAPPRFT and China Radio Film and TV Magazine in December
2017	“Beijing Drifters’ Love Story” (北漂愛情故事), our first drama series, began filming.
2017	Season three of “Hello Food” became our first program that had generated a revenue of over RMB100 million in July.
2017	“Hello! Interviewer” (你好！面試官), our first program in the work/career genre, was released in November.
2018	“Hey! Let’s Sing” (嗨！唱起來) was released in April.
2019	“Hey! Let’s Sing” (嗨！唱起來) was awarded Annual Creative Program in China for the year 2018 to 2019 on Macau International Advertising Festival (澳門國際廣告節) in June.
2019	The Pre-IPO Investments were completed in July.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR PRC OPERATING ENTITIES

As at the Latest Practicable Date, we had four principal operating entities in the PRC, namely Zhongguang Yusheng, Dongyang Qianyuxing, Yili Zhongsheng and Shanghai Yusheng, which made material contribution to our results of operation during the Track Record Period. The details of our PRC Operating Entities are set forth below:

Name of Entity	Principal Business Activities	Date of Establishment and Commencement of Business/ Place of Establishment	Registered Capital	Business License(s) Owned
Zhongguang Yusheng	Production, distribution and operation and release of TV programs and made-for-internet programs	April 3, 2014/ the PRC	RMB5.98 million	License for Production and Distribution of Radio or Television Programs
Dongyang Qianyuxing	Production, distribution and operation and release of TV programs and made-for-internet programs	August 17, 2016/ the PRC	RMB10.0 million	License for Production and Distribution of Radio or Television Programs
Yili Zhongsheng	Production, distribution and operation and release of TV programs and made-for-internet programs	September 8, 2016/ the PRC	RMB10.0 million	License for Production and Distribution of Radio or Television Programs
Shanghai Yusheng	Production, distribution and operation and release of TV programs and made-for-internet programs	December 25, 2018/ the PRC	RMB100.0 million	License for Production and Distribution of Radio or Television Programs

Zhongguang Yusheng

Establishment

Zhongguang Yusheng was established as a limited liability company in the PRC on April 3, 2014 with an initial registered capital of RMB500,000. It was founded by Ms. Li Ying, mother of Mr. Liu.

Major Share Transfers Afterwards

According to certain family shareholding arrangements between Mr. Liu's parents, Mr. Liu Baoya, father of Mr. Liu, became the sole shareholder of Zhongguang Yusheng in August 2015. In August 2016, Mr. Liu Baoya and Mr. Liu entered into an equity transfer agreement, pursuant to which Mr. Liu Baoya transferred the entire equity interest in Zhongguang Yusheng to Mr. Liu at nil consideration. Mr. Liu became the sole shareholder of Zhongguang Yusheng.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Dongyang Qianyuxing

Dongyang Qianyuxing was established as a limited liability company in the PRC on August 17, 2016. Upon establishment, it was owned as to 95% by Zhongguang Yusheng and 5% by Ms. Hu Yaqing, an Independent Third Party.

On July 27, 2017, Ms. Hu Yaqing and Zhongguang Yusheng entered into an equity transfer agreement, pursuant to which Ms. Hu Yaqing transferred her 5% equity interest in Dongyang Qianyuxing to Zhongguang Yusheng at a consideration of RMB1.00 as the registered capital of Dongyang Qianyuxing was not yet paid up at the time of the transfer. Upon completion of such transfer, Dongyang Qianyuxing became a wholly-owned subsidiary of Zhongguang Yusheng. As at the Latest Practicable Date, RMB3 million out of RMB10 million of registered capital has been paid by Zhongguang Yusheng. Zhongguang Yusheng plans to pay up the outstanding registered capital within the third quarter of 2020.

Yili Zhongsheng

Yili Zhongsheng was established as a limited liability company in the PRC on September 8, 2016. Upon establishment, it was owned as to 99% by Zhongguang Yusheng and 1% by Ms. Zhang Jing, an Independent Third Party.

On August 6, 2017, Ms. Zhang Jing and Zhongguang Yusheng entered into an equity transfer agreement, pursuant to which Ms. Zhang Jing transferred her 1% equity interest in Yili Zhongsheng to Zhongguang Yusheng at nil consideration as the registered capital of Yili Zhongsheng was not yet paid up at the time of the transfer. Upon completion of such transfer, Yili Zhongsheng became a wholly-owned subsidiary of Zhongguang Yusheng. As at the Latest Practicable Date, the entire registered capital of RMB10 million has been fully paid up by Zhongguang Yusheng.

Shanghai Yusheng

Shanghai Yusheng was established as a limited liability company in the PRC on December 25, 2018 and was wholly-owned by Zhongguang Yusheng.

During the Track Record Period, we did not conduct any major acquisitions, disposals or mergers.

PRE-IPO INVESTMENTS

In support for the business operations and development of our PRC Operating Entities, there were several Pre-IPO Investments in our Company between 2017 and 2019.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following table sets forth key particulars of the Pre-IPO Investments:

	Mubi No.2 ⁽¹⁾	Jiaxing Data ⁽²⁾	Xin Dong Neng ⁽³⁾	Chen Dazhi ⁽⁴⁾	Chen Kai ⁽⁵⁾	Ren Feng ⁽⁶⁾	Ma Zhiui ⁽⁶⁾	Wu Yeheng ⁽⁷⁾	Qin Wellun ⁽⁸⁾	Li Zhanrong ⁽⁹⁾	Beijing Xingwen ⁽¹⁰⁾	China Zenith Limited ⁽¹¹⁾	Leading Edge Limited ⁽¹²⁾	Chematic Investment Limited ⁽¹³⁾
Consideration paid	RMB30,000,000	RMB20,000,000	RMB14,000,000	(i) Nil for the equity interest of Zhongguang Yusheng acquired from Wenchuang Yunhe; (ii) RMB11,140,311 for the equity interest of Zhongguang Yusheng acquired from Mr. Liu	(i) Nil for the equity interest acquired from Yingzhi Asset Management; (ii) RMB1,000,000 for the equity interest of Zhongguang Yusheng subscribed	RMB8,000,000	RMB2,000,000	RMB312,052.94 for the equity interest of Zhongguang Yusheng acquired from Mr. Liu	RMB1,000,000	RMB1,500,000	RMB20,000,000	US\$5,200,000 for the Shares acquired from Double K Limited; (ii) US\$11,050,000 for the Shares subscribed	US\$2,800,000 for the Shares acquired from Double K Limited; (ii) US\$5,950,000 for the Shares subscribed	US\$750,000 for the Shares acquired from Double K Limited
Basis of consideration	The consideration was determined based on arm's length negotiations with reference to the latest net asset value or valuation of Zhongguang Yusheng or the Company, as the case may be, at the time of the investment where applicable.													
Percentage of shareholding in Zhongguang Yusheng upon completion of the Pre-IPO Investments	4.18%	2.79%	1.35%	7.68%	0.72%	1.11%	0.28%	0.49%	0.08%	0.12%	1.63%	N/A	N/A	N/A
Percentage of shareholding in our Company upon completion of the Global Offering and the Capitalization Issue	2.86%	1.91%	0.93%	5.26%	2.06%	0.76%	0.19%	2.72%	0.05%	0.08%	1.12% ⁽¹⁴⁾	6.67%	3.59%	0.36%
Date of the agreement	August 4, 2017	August 4, 2017	July 24, 2018	(i) January 7, 2019 (ii) February 20, 2019	(i) January 7, 2019 (ii) April 24, 2019 (iii) July 5, 2019	March 26, 2019	March 26, 2019	(i) February 20, 2019 (ii) July 5, 2019	April 24, 2019	April 24, 2019	April 24, 2019	(i) July 8, 2019 (ii) July 8, 2019	(i) July 8, 2019 (ii) July 8, 2019	July 8, 2019
Date on which the Pre-IPO Investments was fully settled	August 11, 2017	November 16, 2017	August 10, 2018	(i) January 7, 2019 (ii) May 1, 2019	(i) January 7, 2019 (ii) April 29, 2019 (iii) July 19, 2019	April 28, 2019	July 25, 2019	(i) June 18, 2019 (ii) July 23, 2019	May 7, 2019	April 30, 2019	July 2, 2019	(i) July 22, 2019 (ii) July 23, 2019	(i) July 22, 2019 (ii) July 25, 2019	July 19, 2019

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Cost per Share paid and discounted to the Offer Price	Mubi No.2 ⁽¹⁾	Jiaxing Datai ⁽²⁾	Xin Dong Neng ⁽³⁾	Chen Dazhi ⁽⁴⁾	Chen Kai ⁽⁵⁾	Ren Feng ⁽⁶⁾	Ma Zihui ⁽⁶⁾	Wu Yeheng ⁽⁷⁾	Qin Wellun ⁽⁸⁾	Li Zhanrong ⁽⁹⁾	Beijing Xingwen ⁽¹⁰⁾	China Zenith Limited ⁽¹¹⁾	Leading Edge Limited ⁽¹²⁾	Chematic Investment Limited ⁽¹³⁾
	The cost per Share was HK\$0.73 and is equivalent to an approximately 74.0% discount to the mid-point Offer Price	The cost per Share was HK\$1.05 and is equivalent to an approximately 74.0% discount to the mid-point Offer Price	The cost per Share was HK\$1.05 and is equivalent to an approximately 62.6% discount to the mid-point Offer Price	The cost per Share was HK\$0.15 and is equivalent to an approximately 94.7% discount to the mid-point Offer Price	The cost per Share was HK\$0.03 and is equivalent to an approximately 98.9% discount to the mid-point Offer Price	The cost per Share was HK\$0.73 and is equivalent to an approximately 74.0% discount to the mid-point Offer Price	The cost per Share was HK\$0.72 and is equivalent to an approximately 74.4% discount to the mid-point Offer Price	The cost per Share was HK\$0.01 and is equivalent to an approximately 99.6% discount to the mid-point Offer Price	The cost per Share was HK\$1.27 and is equivalent to an approximately 54.8% discount to the mid-point Offer Price	The cost per Share was HK\$1.27 and is equivalent to an approximately 54.8% discount to the mid-point Offer Price	The cost per Share was HK\$1.25 and is equivalent to an approximately 58.0% discount to the mid-point Offer Price	The cost per Share was HK\$1.18 and is equivalent to an approximately 58.0% discount to the mid-point Offer Price	The cost per Share was HK\$1.18 and is equivalent to an approximately 58.0% discount to the mid-point Offer Price	The cost per Share was HK\$1.02 and is equivalent to an approximately 63.7% discount to the mid-point Offer Price

Use of proceeds from the Pre-IPO Investments
For the proceeds received by members of our Group, we utilized the proceeds for the development and operation of the business of the members of our Group. As at the Latest Practicable Date, approximately 92% of net proceeds from the Pre-IPO Investments and from the Pre-IPO received by members of our Group was utilized.

Strategic benefits of the Pre-IPO Investors brought to our Company
At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-IPO Investors' investments in our Company and the Pre-IPO Investors' knowledge and experience and their investments demonstrate their confidence in our Company's operation and serve as an endorsement of our Company's performance strength and prospects.

Mr. Chen Dazhi, being the founder, chairman and general manager of Wenchuang Yunhe, whose principal business is film production, has shared with Mr. Liu his experience in video content industry. Mr. Chen Kai introduced his social connections to Mr. Liu to expand potential cooperation resources. Ms. Wu Yeheng shared with Mr. Liu her experience in corporate finance and management before Zhongguang Yusheng was established. Our Directors believe that Mr. Chen Dazhi, Mr. Chen Kai and Ms. Wu Yeheng will bring investment and business opportunities through their business connections and provide strategic advice to our Group based on their management experience in the future.

Mr. Ma Zihui, being the general manager of Huasheng Yihong, has brought to the Group advice relating to internal control based on his management experience. Beijing Xingwen, being a partially state-owned limited partnership, has brought to the Group strategic advice and support relating to government policy and tax preference.

Lock-up Period
50% of the Shares held by each of Mubi No. 2, Jiaxing Datai, Xin Dong Neng, Chen Dazhi, Chen Kai⁽¹⁰⁾, Ren Feng, Ma Zihui, Wu Yeheng, Qin Wellun and Li Zhanrong at the time of the Listing will be subject to lock-up for a period of at least six months following the Listing.

Special Rights
All special rights granted to the Pre-IPO Investors have been terminated as at the Latest Practicable Date.

- (1) Mubi No.2 subscribed RMB250,000 registered capital in Zhongguang Yusheng at a consideration of RMB30 million.
- (2) Jiaxing Datai subscribed RMB166,700 registered capital in Zhongguang Yusheng at a consideration of RMB20 million.
- (3) Xin Dong Neng subscribed RMB81,038 registered capital in Zhongguang Yusheng at a consideration of RMB14 million.
- (4) (i) Chen Dazhi acquired RMB250,000 registered capital in Zhongguang Yusheng at a nil consideration from Wenchuang Yunhe, which is a company wholly-owned by Chen Dazhi. Wenchuang Yunhe previously acquired RMB250,000 registered capital in Zhongguang Yusheng at a consideration of RMB33 million from Qiankun Hanhai, an Independent Third Party who initially subscribed RMB250,000 registered capital in Zhongguang Yusheng at a consideration of RMB30 million; (ii) Chen Dazhi acquired RMB209,539 registered capital in Zhongguang Yusheng at a consideration of RMB11,140,311 from Mr. Liu.
- (5) (i) Chen Kai acquired RMB38,400 registered capital in Zhongguang Yusheng at a nil consideration from Yingzhi Asset Management, which is a company wholly-owned by Chen Kai. Yingzhi Asset Management previously subscribed RMB38,400 registered capital in Zhongguang Yusheng at a consideration of RMB460,600; (ii) Chen Kai subscribed RMB4,891 registered capital in Zhongguang Yusheng at a consideration of RMB1 million.
- (6) Ren Feng and Ma Zihui acquired RMB66,640 and RMB16,660 registered capital in Zhongguang Yusheng at a consideration of RMB8 million and RMB2 million from Huasheng Yihong, respectively. Huasheng Yihong is an Independent Third Party who previously subscribed RMB83,300 registered capital in Zhongguang Yusheng at a consideration of RMB10 million.
- (7) Wu Yeheng acquired RMB29,347 registered capital in Zhongguang Yusheng at a consideration of RMB312,052.94 from Mr. Liu.
- (8) Qin Wellun subscribed RMB4,891 registered capital in Zhongguang Yusheng at a consideration of RMB1 million.
- (9) Li Zhanrong subscribed RMB7,337 registered capital in Zhongguang Yusheng at a consideration of RMB1.5 million.
- (10) Beijing Xingwen subscribed RMB97,824 registered capital in Zhongguang Yusheng at a consideration of RMB20 million.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (11) China Zenith Limited subscribed 36,776,548 Shares and acquired 21,633,264 Shares from Double K Limited at a consideration of US\$11,050,000 and US\$5,200,000, respectively.
- (12) Leading Edge Limited subscribed 19,802,756 Shares and acquired 11,648,680 Shares from Double K Limited at a consideration of US\$5,950,000 and US\$2,800,000, respectively.
- (13) Cinematic Investment Limited acquired 3,109,102 Shares from Double K Limited at a consideration of US\$750,000.
- (14) Chen Kai Zhong Guang Limited, a company wholly-owned by Chen Kai, acts as the nominee for Beijing Xingwen. Chen Kai is the deputy general manager of Beijing Xingwen.
- (15) 13,680,000 and 20,880,000 Shares were allotted and issued to Chen Kai and Wu Yeheng, respectively, for their personal supports to Mr. Liu.
- (16) The Shares held by Chen Kai Zhong Guang Limited acting as the nominee for Beijing Xingwen are not subject to such lock-up arrangement.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Information about the Pre-IPO Investors

Mubi No.2 is established as a limited partnership in the PRC which is managed by Nanjing Mubi Investment Management Co., Ltd (南京木筆投資管理有限公司) and mainly focused on investing in small- or medium-sized startup companies that have high growth potentials.

Jiaxing Datai is established as a limited partnership in the PRC which is managed by Shenzhen Hongshi Capital Management Co., Ltd (深圳宏時資本管理有限公司) and mainly focused on investing in small- or medium-sized startup companies that have high growth potentials.

Xin Dong Neng is established as a limited partnership in the PRC which is managed by Xin Dong Neng (Hangzhou) Investment Management Co., Ltd (新動能(杭州)投資管理有限公司) and mainly focused on investing in small- or medium-sized startup companies that have high growth potentials.

Beijing Xingwen is established as a limited partnership in the PRC which is managed by Beijing Yiyuan Investment Management Co., Ltd (北京藝苑投資管理有限公司) and mainly focused on investing in technology, culture and entertainment sectors.

Leading Edge Limited is incorporated as a limited liability company under the laws of BVI on May 3, 2018. Leading Edge Limited is indirectly wholly owned by Xu Xueyin, an Independent Third Party.

China Zenith Limited is incorporated as a limited liability company under the laws of BVI on April 30, 2018. China Zenith Limited is indirectly wholly owned by Liu Chuanjun, an Independent Third Party.

Cinematic Investment Limited was incorporated as a BVI business Company under the laws of BVI on June 25, 2019. Cinematic Investment Limited is wholly owned by Mr. Yang Hong Ching Norris, a former non-executive Director of our Company. Mr. Yang Hong Ching Norris was appointed as our non-executive Director on August 7, 2019 and has tendered his resignation as our non-executive Director on August 15, 2019 with immediate effect due to personal reasons.

Mr. Chen Dazhi is a private investor and the chairman and general manager of Wenchuang Yunhe, a former shareholder of Zhongguang Yusheng.

Mr. Ren Feng is a private investor and the chief executive officer of Boshi Fengyun (Shenzhen) Information Technology Limited (博識峰雲(深圳)信息技術有限公司), a limited liability company principally engaged in the application of computer vision technology and deep learning technology in business domain.

Mr. Ma Zihui is a private investor and the general manager and an indirect shareholder of Huasheng Yihong.

Mr. Chen Kai, our non-executive director, is a private investor. For more details of Mr. Chen Kai, please refer to the section headed “Directors and Senior Management.”

Ms. Wu Yeheng is a private investor and the general manager and a shareholder of Che Rong Tong Investment Management Limited (車融通投資管理有限公司), a limited liability company principally engaged in investment management in automobile industry.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Both Ms. Li Zhanrong and Mr. Qin Weilun are private investors.

Ms. Wu Yeheng was introduced to Mr. Liu through one of Mr. Liu's friends working in venture capital in 2014. Mr. Chen Kai was introduced to Mr. Liu through one of Mr. Liu's friends in 2017. Mr. Chen Dazhi was introduced to Mr. Liu by Mr. Chen Kai in 2018. Mr. Liu met with other Pre-IPO Investors through the introduction of Ms. Wu Yeheng, Mr. Chen Kai, Mr. Chen Dazhi and other personal acquaintances.

All Pre-IPO investors are Independent Third Parties except for Mr. Chen Kai, who is our non-executive Director, and Cinematic Investment Limited, which is an associate of Mr. Yang Hong Ching Norris who was a former non-executive Director in the past 12 months.

Public Float

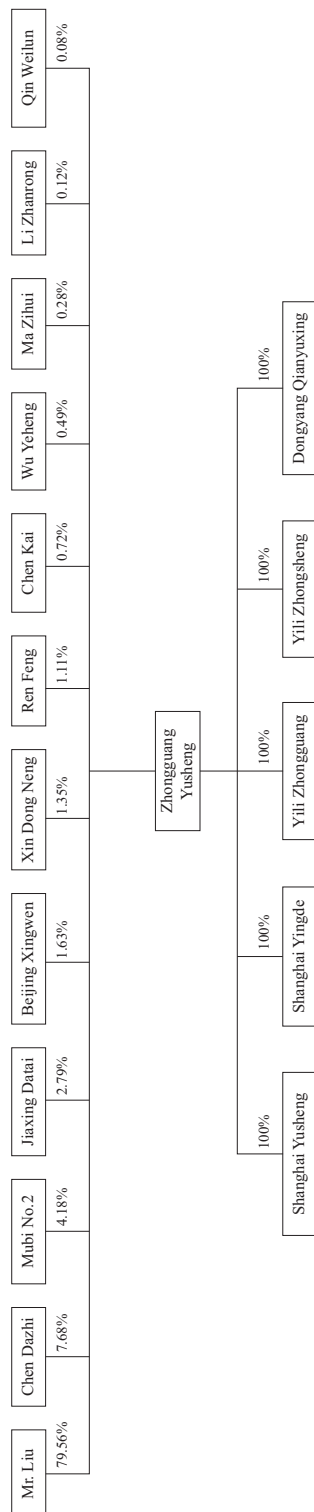
Mr. Chen Kai is our non-executive Director and therefore a core connected person of our Company. Accordingly, our Shares held by Mr. Chen Kai, including the Shares held by Mr. Chen Kai through Chen Kai Zhong Guang Limited acting as the nominee for Beijing Xingwen, will not be considered as part of the public float. The Shares held by other Pre-IPO Investors under the Pre-IPO Investments will be counted towards the public float upon the Listing for the purpose of Rule 8.08 of the Listing Rules.

Joint Sponsors' Confirmation

The Joint Sponsors have confirmed that based on the documents provided by the Company, the investments of the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investment issued by the Stock Exchange on October 13, 2010 and as updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

OUR GROUP STRUCTURE PRIOR TO REORGANIZATION

The shareholding and corporate structure of our Group immediately prior to the Reorganization is set out in the chart below:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

In preparation of Listing, we underwent the following reorganization:

Incorporation of Offshore Holding Companies

On May 15, 2019, each of Double K Limited, Blueberry Culture Limited, CHEN DA ZHI LIMITED, Chen Kai Zhong Guang Limited, REN FENG HOLDING LIMITED, MA ZI HUI LIMITED, WU YE HENG LIMITED, QIN WEI LUN LIMITED, LI ZHAN RONG LIMITED, Xin Dong Neng Zhong Guang Limited, Mobio Holding Group Limited and Jiaxing Datai Holding Limited was incorporated in the BVI as a limited liability company (collectively the “**Offshore Holding Companies**”). Details of the Offshore Holding Companies upon incorporation are set out as below:

<u>Name of Company</u>	<u>Shareholder(s)</u>	<u>Approximate percentage of shareholding</u>
Double K Limited	Mr. Liu	100%
Blueberry Culture Limited	Mr. Liu	100%
CHEN DA ZHI LIMITED	Chen Dazhi	100%
Chen Kai Zhong Guang Limited	Chen Kai	100%
REN FENG HOLDING LIMITED	Ren Feng	100%
MA ZI HUI LIMITED	Ma Zihui	100%
WU YE HENG LIMITED	Wu Yeheng	100%
QIN WEI LUN LIMITED	Qin Weilun	100%
LI ZHAN RONG LIMITED	Li Zhanrong	100%
Xin Dong Neng Zhong Guang Limited	Jing Lun ⁽¹⁾	27.4%
	Zhou Qifang ⁽¹⁾	24.0%
	Dai Xiangjun ⁽¹⁾	17.1%
	Zhang Hongwu ⁽¹⁾	13.7%
	Cai Xiaojun ⁽¹⁾	6.8%
	Zhou Chunhong ⁽¹⁾	6.8%
	Zhou Lin ⁽¹⁾	4.1%
	Zhou Jian ⁽²⁾	31.4%
	Wang Lu ⁽²⁾	12.0%
	Wang Baili ⁽²⁾	9.4%
	Zhou Xia ⁽²⁾	9.4%
	Han Shuai ⁽²⁾	6.3%
	Lv Weidong ⁽²⁾	6.3%
Mobio Holding Group Limited	Nan Zhenqi ⁽²⁾	6.3%
	Jiang Honghui ⁽²⁾	6.3%
	Qiu Jiayu ⁽²⁾	3.4%
	Xu Longcai ⁽²⁾	3.1%
	Hong Jing ⁽²⁾	3.1%
	Yang Meng ⁽²⁾	3.1%
	Du Bing ⁽³⁾	11.3%
	Chen Jun ⁽³⁾	9.1%
	Zhang Wencong ⁽³⁾	9.1%
	Zhang Liang ⁽³⁾	9.1%
	Liu Tingmin ⁽³⁾	6.8%
	Zhang Jun ⁽³⁾	4.5%
	Zhu Jianhua ⁽³⁾	4.5%
Jiaxing Datai Holding Limited	Zhang Liancheng ⁽³⁾	4.5%
	Li Liping ⁽³⁾	4.5%
	Fan Lin ⁽³⁾	4.5%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Name of Company</u>	<u>Shareholder(s)</u>	<u>Approximate percentage of shareholding</u>
	Yan Yan ⁽³⁾	4.5%
	Rong Meihong ⁽³⁾	4.5%
	Li Hulin ⁽³⁾	4.5%
	Jin Hangjie ⁽³⁾	4.5%
	Li Hao ⁽³⁾	4.5%
	Wu Tong ⁽³⁾	4.5%
	Ge Zongping ⁽³⁾	4.5%
	Cao Yuantao ⁽³⁾	0.1%

- (1) the ultimate partners (including general partners and limited partners) of Xin Dong Neng, one of the Registered Shareholders
- (2) the ultimate partners (including general partners and limited partners) of Mubi No. 2, one of the Registered Shareholders
- (3) the ultimate partners (including general partners and limited partners) of Jiaxing Datai, one of the Registered Shareholders

Incorporation of our Company

On May 28, 2019, our Company was established in the Cayman Islands as an exempted company with limited liability and authorized share capital of US\$50,000, divided into 5,000,000,000 shares of a par value of US\$0.00001 each. On the same day, one Share was allotted and issued for cash at par to the initial subscriber, and was subsequently transferred to Double K Limited, an offshore holding company wholly-owned by Mr. Liu.

Subscriptions and transfers of Shares

On May 28, 2019, our Company allotted and issued an aggregate of 590,219,999 Shares at par to the Offshore Holding Companies on a pro-rata basis with reference to their shareholdings in Zhongguang Yusheng.

On July 8, 2019, our Company allotted and issued 9,780,000⁽¹⁾, 36,776,548 and 19,802,756 Shares to Chen Kai Zhong Guang Limited, China Zenith Limited and Leading Edge Limited, respectively. On the same day, China Zenith Limited, Leading Edge Limited and Cinematic Investment Limited acquired 21,633,264, 11,648,680 and 3,109,102 Shares from Double K Limited, respectively.

Upon completion of the subscription and transfer of Shares, the shareholding structure of our Company is set out as below:

<u>Name of Company</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Double K Limited	388,468,954	59.17%
China Zenith Limited	58,409,812	8.90%
CHEN DA ZHI LIMITED	46,080,000	7.02%
Leading Edge Limited	31,451,436	4.79%
Chen Kai Zhong Guang Limited	27,780,000	4.23%
Mobio Holding Group Limited	25,080,000	3.82%
WU YE HENG LIMITED	23,820,000	3.63%
Blueberry Culture Limited	18,000,000	2.74%
Jiaxing Datai Holding Limited	16,740,000	2.55%

- (1) The Shares allotted and issued to Chen Kai Zhong Guang Limited on July 8, 2019 represent the Shares held by Chen Kai Zhong Guang Limited acting as nominee of Beijing Xingwen.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Name of Company</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Xin Dong Neng Zhong Guang Limited	8,100,000	1.23%
REN FENG HOLDING LIMITED	6,660,000	1.01%
Cinematic Investment Limited	3,109,102	0.47%
MA ZI HUI LIMITED	1,680,000	0.26%
LI ZHAN RONG LIMITED	720,000	0.11%
QIN WEI LUN LIMITED	480,000	0.07%

Incorporation of offshore subsidiaries

China Bright Culture BVI was incorporated in the BVI on May 29, 2019 as a direct wholly-owned subsidiary of our Company.

China Bright Culture HK was incorporated in Hong Kong on June 18, 2019 as a direct wholly-owned subsidiary of China Bright Culture BVI.

Establishment of WFOE

On July 15, 2019, WFOE was established in the PRC as a wholly foreign owned enterprise with a registered capital of USD66,660,000 and it is wholly owned by China Bright Culture HK.

Contractual Arrangements

On July 15, 2019, WFOE entered into various agreements which constitute the Contractual Arrangements with the PRC Operating Entities and the Registered Shareholders, pursuant to which our Group is able to gain effective control over, and receive all economic benefits arising from the business of our PRC Operating Entities. Please refer to the section headed “Contractual Arrangements” in this Prospectus for further details of the Contractual Arrangements.

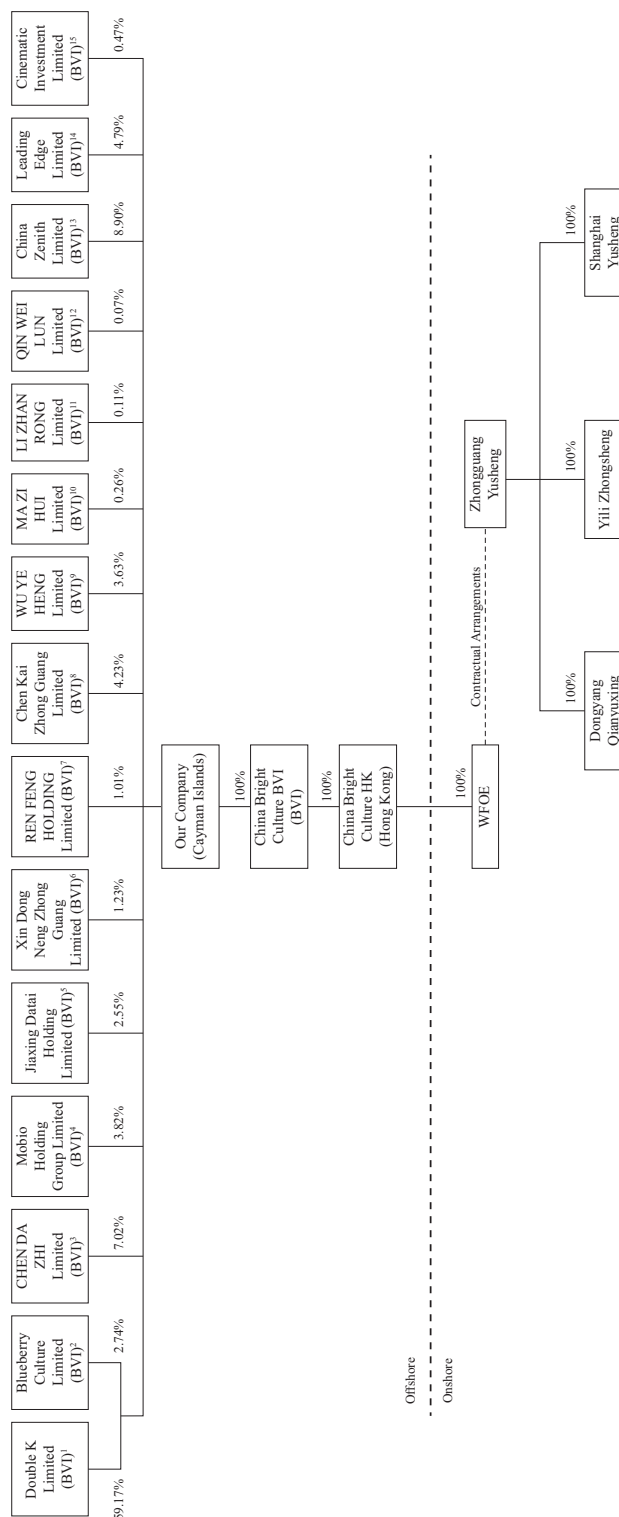
Deregistration of certain PRC subsidiaries

Yili Zhongguang and Shanghai Yingde were dormant and were deregistered on June 11, 2019 and August 2, 2019, respectively.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURES

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the Reorganization, but before completion of the Capitalization Issue and the Global Offering:



- (1) Double K Limited is wholly owned by Mr. Liu.
- (2) Blueberry Culture Limited is wholly owned by Mr. Liu.
- (3) CHEN DA ZHI Limited is wholly owned by Chen Dazhi, an Independent Third Party.
- (4) Mobio Holding Group Limited is owned by Zhou Jian, Wang Lu, Wang Baili, Zhou Xia, Han Shuai, Lv Weidong, Nan Zhengqi, Jiang Honghui, Qiu Jiayu, Xu Longcai, Hong Jing, Yan Meng, the ultimate partners (including general partners and limited partners) of Mubi No.2, one of the Registered Shareholders.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (5) Jiaxing Datai Holding Limited is owned by Du Bing, Chen Jun, Zhang Wencong, Zhang Liang, Liu Tingmin, Zhang Jun, Zhu Jianhua, Zhang Liancheng, Li Liping, Fan Lin, Yan Yan, Rong Meihong, Li Hulin, Jin Hangjie, Li Hao, Wu Tong, Ge Zongping and Cao Yuantao, the ultimate partners (including general partners and limited partners) of Jiaxing Datai, one of the Registered Shareholders.
- (6) Xin Dong Neng Zhong Guang Limited is owned by Jing Lun, Zhou Qifang, Dai Xiangjun, Zhang Hongwu, Cai Xiaojun, Zhou Chunhong and Zhou Lin, the ultimate partners (including general partners and limited partners) of Xin Dong Neng, one of the Registered Shareholders.
- (7) REN FENG HOLDING LIMITED is wholly owned by Ren Feng, an Independent Third Party.
- (8) Chen Kai Zhong Guang Limited is wholly owned by Chen Kai, the non-executive Director of our Company. Chen Kai Zhong Guang Limited also acts the nominee for Beijing Xingwen. Chen Kai is the deputy general manager of Beijing Xingwen.
- (9) WU YE HENG LIMITED is wholly owned by Wu Yeheng, an Independent Third Party.
- (10) MA ZI HUI LIMITED is wholly owned by Ma Zihui, an Independent Third Party.
- (11) LI ZHAN RONG LIMITED is wholly owned by Li Zhanrong, an Independent Third Party.
- (12) QIN WEI LUN LIMITED is wholly owned by Qin Weilun, an Independent Third Party.
- (13) China Zenith Limited is wholly owned by Liu Chuanjun, an Independent Third Party.
- (14) Leading Edge Limited is wholly owned by Xu Xueyin, an Independent Third Party.

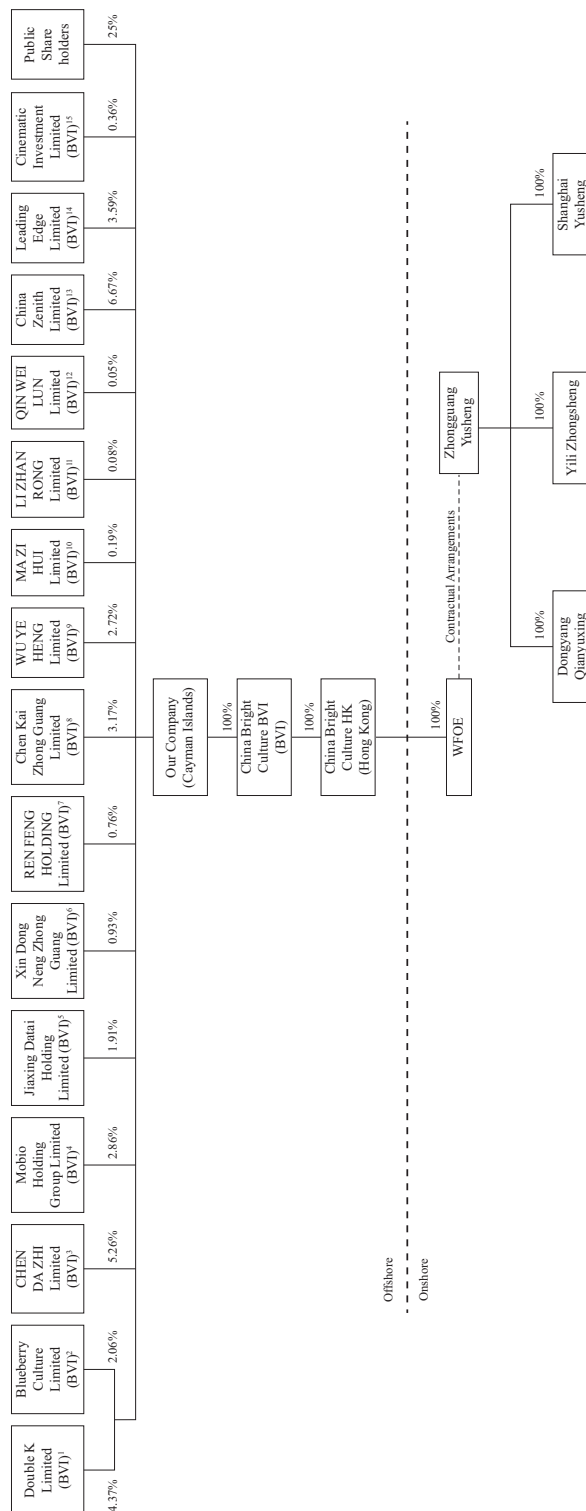
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(15) Cinematic Investment Limited is wholly owned by Yang Hong Ching Norris, a former non-executive Director of our Company.

CAPITALIZATION ISSUE

Our Company will allot and issue a total of 543,420,696 Shares as fully paid at par to the holders of Shares whose names appear on the register of members of our Company on the Listing Date in proportion to their existing shareholdings in our Company by capitalizing the sum of US\$5,434.21 from the share premium account of our Company. The Shares allotted and issued pursuant to the above Capitalization Issue will rank *pari passu* in all respects with the existing issued Shares.

The following chart sets for our Group's corporate structure after completion of the Reorganization, the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and taking into no account of any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme):



For notes 1-15, please refer to the notes to the chart on the previous page for details.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC LEGAL COMPLIANCE

Our PRC Legal Advisers are of the view that all necessary approvals in relation to the steps of the Reorganization in the PRC as described above have been obtained and the procedures involved have been carried out in accordance with the PRC laws and regulations.

SAFE Registration

Pursuant to the Circular 37 promulgated by SAFE and which became effective on July 14, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division.

Pursuant to the Notice on Further Simplifying and Improving the Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular No. 13**”) promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As confirmed by our PRC Legal Advisers, all of the ultimate individual shareholders of our Company have completed the foreign exchange registrations pursuant to the Circular 37 and the Circular 13 in relation to their offshore investments as PRC residents.

M&A Rules

According to the M&A Rules jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise.

Our PRC Legal Advisers are of the opinion that prior CSRC approval for the Listing and trading of our Shares on the Stock Exchange is not required because (i) WFOE was not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company and (ii) no provision in the M&A Rules clearly classified contractual arrangements as a type of transaction subject to the M&A Rules.

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OVERVIEW

We are a rapidly growing independent producer of variety programs in China. In a highly fragmented industry of more than 18,000 companies licensed to operate, we were the 8th largest independent producer of variety programs in China with a 0.6% share of the variety program market in terms of 2018 revenue, with the largest not exceeding 3%, according to the F&S Report. Our variety program revenue growth rate from 2017 to 2018 was one of the highest among the twenty largest industry participants, according to the same source.

We are a video program producer, by which we mean we develop, market, produce and distribute video content (such as variety programs and drama series) for media platforms (including TV networks and online video platforms). Historically, TV networks developed the content for, produced and marketed television programs, which remains the case to a large extent today, particularly for the bigger-budget primetime programs. Many of our competitors do not have content development capabilities and primarily focus on labor-intensive aspects of program production. In contrast, we focus on the high-value segments of the industry value chain — we develop our own program content and generally retain intellectual property rights on that content; we bring corporate sponsors and other advertisers to TV networks and other media platforms instead of relying solely on media platforms to attract advertisements for our programs; and we oversee the production process through our in-house directors and producers to ensure the high quality of our programs.

We believe our business model gives us a competitive advantage over industry peers and enables us to collaborate with top Satellite TV Networks in China and attract advertisements from well-known domestic and international brands. During the Track Record Period and up to the Latest Practicable Date, all of our programs were aired on leading TV networks in China, including Jiangsu Satellite TV, Anhui Satellite TV and Shenzhen Satellite TV, as well as leading online video platforms, including iQIYI, Tencent Video and Sohu Video. Our corporate sponsors include well-recognized brands such as Unilever, BYD and Gree Electronics. The quality of our programs is also evidenced by their audience reception. Our first program, “Hello Food” (誰是你的菜), reached number one in ratings at its time slot only five weeks after it first aired, and was on the air for three years. Our “Hello! Interviewer” (你好！面試官) is a long-running variety program that has been on the air since 2017, and we are in negotiations to release new seasons in 2020. After a successful first season of “Hey! Let’s Sing” (嗨！唱起來), we have entered into definitive contracts for season 2 to be released in 2020, and are in negotiations for season 3 to be released in 2020.

Our ability to implement our distinctive business model and our well-established relationships with leading media platforms have helped us build a robust program pipeline. As of the Latest Practicable Date, we released six programs after the Track Record Period and expect to release 18 programs in 2020, with a total estimated cost of RMB1,706.6 million. In addition to TV variety programs, we are rapidly diversifying our pipeline in terms of program format and media format (e.g., made-for-internet movies and drama series and short-form videos).

We are a young company led by a visionary founder, Mr. Liu, who spearheads our growth. Mr. Liu is supported by other members of our senior management team, including Ms. Chen Jia (陳佳), our vice president responsible for overseeing our daily business operations, and Ms. Cheng Cang (程藏), our director of content production. We believe our management team strikes an ideal balance between being young and experienced, both of which are crucial to entrepreneurial success in the

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media industry. Our young management team is highly in tune with the latest market trends and preferences, enabling us to strategically focus on high potential media genres and develop high quality content. Moreover, with a fresh and innovative mindset, our management team has developed a distinctive business model focused on content development and marketing, which we believe has been key to our business growth. At the same time, having devoted almost their entire career to the media industry, Mr. Liu and our senior management team have accumulated extensive industry experience and developed strong business relationships and networks with media platforms, advertisers and other industry players, which have enabled us to capitalize on attractive business opportunities and rapidly grow our business in our short few years of operations. In particular, while Mr. Liu served as brand director of Zhongguang Chuanhua Film and Television Culture Consulting Co., Ltd. (中廣傳華影視文化諮詢有限公司), which operates the China Radio, Film and TV publication affiliated with the NRTA, he gained knowledge and experience in television program development as well as a broad network of contacts in the field. Ms. Chen Jia has also accumulated extensive experience and a robust business network in her approximately 10 years of working in the film and TV industry, including major TV networks including CCTV and Zhejiang Satellite TV.

Our business experienced significant and rapid growth in 2016, 2017 and 2018. In 2016, 2017 and 2018, we generated revenue from two, four and three programs, respectively. Our revenue increased from RMB127.8 million in 2016 to RMB160.4 million in 2017 and to RMB282.9 million in 2018, or a CAGR of 48.8%. Our profit for the year increased from RMB13.9 million in 2016 to RMB56.1 million in 2017 and to RMB85.7 million in 2018, or a CAGR of 148.7%. Our revenue and profit were RMB222.7 million and RMB46.7 million for the eight months ended August 31, 2019, respectively.

COMPETITIVE STRENGTHS

Rapidly growing independent producer of variety programs in China

We are a rapidly growing independent producer of variety programs in China. In a highly fragmented industry of more than 18,000 companies licensed to operate, we were the 8th largest independent producer of variety programs in China in terms of 2018 revenue, according to the F&S Report. Our variety program revenue growth rate from 2017 to 2018 was one of the highest among the twenty largest industry participants, according to the same source. With a vast market size and strong potential for rapid growth, the variety program market size in China is expected to grow from RMB52.9 billion in 2019 to RMB85.3 billion in 2023 at a CAGR of 12.7%, according to the F&S Report.

Despite an overall decline in ratings and advertising revenue of TV networks in China, China's Satellite TV Networks have demonstrated a strong ability to achieve some of the highest viewership ratings among TV networks in China. In particular, Satellite TV Networks consistently broadcast some of the highest-rated TV variety programs in China, especially during primetime slots of the Big Five Satellite TV Networks in China. To capitalize on these high ratings, corporate sponsors have increasingly focused their advertising spending on these five TV networks. Advertising revenue of these five TV networks accounted for approximately 75% of total 2018 advertising revenue of provincial TV networks in China, and the ratio is expected to increase to approximately 83% in 2023. We believe that the combination of our ability to attract well-recognized corporate sponsors and the quality of the our programs enabled us to work primarily with leading TV networks in China during

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the Track Record Period. Of a total of 62 variety programs released and approximately 65 variety programs expected to be released at the highly coveted weekend primetime slots on China's Big Five Satellite TV Networks in 2019 and 2020, respectively, according to the F&S Report, 24 were produced or co-produced and approximately 25 are expected to be produced or co-produced by independent video program producers, respectively. Of these, we released two programs in 2019 and expect to release five programs in 2020.

As an industry participant in a fragmented market, we expect to benefit significantly from these favorable industry trends as well as consolidation opportunities. We also plan to strategically leverage our content development and marketing capabilities, industry experience and brand reputation to expand our presence in the TV drama series and made-for-internet program sectors, which have significant growth opportunities and a substantial market size. As of the Latest Practicable Date, we expect to release a total of two TV drama series and seven made-for-internet programs in our pipeline for 2020.

Distinctive and integrated business model underpinned by a two-prong focus on content development and marketing

Historically, TV networks developed the content for, produced and marketed television programs. Since the implementation of separation of production and broadcasting of television programs in 2009, television programs have been increasingly produced by independent video program producers, even though TV networks generally retained the responsibilities of content development (i.e. intellectual property rights) and marketing to corporate sponsors and other advertisers. Many of our competitors do not have content development capabilities and primarily focus on labor-intensive aspects of program production. In contrast, we focus on the high-value segments of the industry value chain — we develop our own program content and generally retain intellectual property rights on that content; we bring corporate sponsors and other advertisers to TV networks and other media platforms instead of relying solely on media platforms to attract advertisements for our programs; and we oversee the production process through our in-house directors and producers to ensure the high quality of our programs. In particular, our business model has a two-prong focus — content development and marketing, which we believe gives us a competitive advantage over industry peers and enables us to cooperate with leading TV networks in China and attract advertisements from well-known domestic and international brands.

Content Development

We operate a standardized and efficient content development process with focused product lines and self-owned intellectual properties, leading to high productivity and a successful track record:

- *Standardized and efficient development process.* Our highly standardized and efficient content development process enables us to create high quality and marketable program concepts. Our development team aims to formulate 80 to 100 original program concepts each year. The quality of these concepts are evaluated and approximately half are presented to our marketing team, who will assess the marketability of each concept in terms of potential sponsorship from corporate sponsors and other advertisers. Our senior management selects the most marketable concepts to present to potential sponsors, while the remaining concepts are stored in our content pool. These marketable concepts undergo

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regulatory risk management assessment and are developed into detailed project execution plans. This standardized process enables us to build a robust content pool to promptly meet customer demand, and ensures that our concepts are successfully developed into projects, which are then implemented and released on time and at a high quality. Our focus on quality of program content also allows us to rely less on celebrity appearances for viewership ratings, which reduces costs and risks.

- *Focused product lines.* We have focused our resources on developing programs in five genres — food, work/career, urban, youth and police/crime. We have chosen these product lines based on our research and analysis of audience demographics and industry trends and our understanding of the varying tastes and preferences of different TV networks. Such focus, we believe, has enabled us to capitalize on our strengths and maximize the chances of success for our programs by attracting corporate sponsors and other advertisers and TV networks and achieving strong viewership ratings.
- *Extendable success through self-owned intellectual properties.* Unlike many of our production-focused competitors, we generally own the intellectual property to our original program content. We are able to extend the life cycle of program concepts by developing new seasons of successful programs or re-applying them in new programs with similar themes. An example of this is “Chef in the House” (家有厨神) which originated from “Hello Food.” For more examples, see “— Program Portfolio.” In addition, we have made all of our TV programs available through online video platforms to increase exposure and access additional viewership. By owning the intellectual property, we are also able to explore new revenue sources, such as derivative products. See “—Business Strategy — Explore new sources of potential revenue growth.”
- *Focus on high-value services through outsourcing.* Our in-house producers, project coordinators and directors oversee the production of our programs, and we outsource certain functions, such as choreography, studio set design, sound, lighting and editing, to qualified production crews. Through our years of operations, we have established strong business relationships with high quality production crews to provide such services. We believe outsourcing enables greater cost efficiency in our operations and allows us to strategically focus our resources on high value-added aspects of program development.
- *Insights into latest regulatory trends.* In a highly regulated industry, we believe our attentiveness to, and deep understanding of, regulatory trends are essential to ensuring that our programs can be successfully released on schedule. To that end, we have established a regulatory risk management committee to review the content of each program. We also work closely with numerous government agencies to incorporate their media objectives into our program content, such as our police/crime programs.

As a reflection of these efforts, we generated revenue from two, four, three, three and six programs in 2016, 2017 and 2018 and the eight months ended August 31, 2018 and 2019, respectively. Our revenue increased rapidly from RMB127.8 million in 2016 to RMB282.9 million in 2018 at a CAGR of 48.8%, and was RMB222.7 million for the eight months ended August 31, 2019. In particular, our first program “Hello Food” reached number one in ratings at its time slot only five weeks after it first aired and was on the air for three years. Our “Hello! Interviewer” is a long-running

variety program that has been on the air since 2017, and we are in negotiations to release new seasons in 2020. After the successful first season of “Hey! Let’s Sing,” we have entered into definitive contracts for season 2 to be released in 2020, and are in negotiations for season 3 to be released in 2020. Moreover, we have received numerous awards such as Annual Cutting-edge Program Production Organization (年度新銳節目製作機構) and Annual Excellent Program of Production Organization (年度製作機構優秀節目) in 2018. For details, see “— Awards and Recognitions.”

Marketing

We understand that meeting the needs of corporate sponsors and TV networks is critical to the successful release of our program content and our operational and financial performance. To achieve this, we have applied the following practices in our business model:

- *Corporate sponsors.* We differentiate ourselves from competitors through our ability to provide comprehensive advertising solutions to meet the advertising needs of corporate sponsors. Our one-stop solutions offer a full range of TV and online advertising, including product placement advertising (i.e. physical placements, host-read advertisements and special thanks at the end of programs) and commercials during attractive TV advertising slots. Our marketing team keeps in close contact with a pool of key account customers to understand their latest marketing objectives and budget requirements. At an early stage of development, our dedicated marketing team assesses the marketability of program concepts based on extensive industry research, and selects high potential concepts for further development. We offer corporate sponsors a menu of program concepts, taking into consideration their product, brand, targeted demographics, suitable media platforms, among other things, which our corporate sponsors can mix and match to meet their highly defined marketing objectives. The success of our customer-oriented marketing mentality is reflected in our ever growing client base, which has expanded rapidly since our inception and includes well-recognized brands such as Unilever, BYD and Gree Electronics.
- *Media platforms.* We believe that our negotiating power vis-à-vis the TV networks is strengthened because we bring to them both advertising sales and high quality program content. We also benefit from being one of the few independent video content providers with the financial resources to develop primetime programs that meet the budget standards of leading TV networks in China. On the other hand, we also understand that the main objective of media platforms is to achieve high viewership and favorable ratings, as well as to attract advertisers, which in turn require high quality content. Our sponsored programming generally features the incorporation of sponsors’ brands and products into our program content as product placement advertisement. This, in turn, requires the ability and experience, which we have gained through our distinctive business model, to maintain the quality of the program content required by media platforms. In addition to program quality, through our relationships with the TV networks, we have gained greater insights into their preferences in terms of program genre and style, target audience, budget and celebrity types, and design our programs to meet those preferences. During the Track Record Period and up to the Latest Practicable Date, all of our programs were aired on leading TV networks in China, including Jiangsu Satellite TV, Shenzhen Satellite TV and Anhui Satellite TV, as well as leading online video platforms, including iQIYI (愛奇藝), Tencent Video (騰訊視頻) and Sohu Video (搜狐視頻).

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Robust program pipeline with clear visibility

Our integrated business model and standardized content development process have helped us build a robust program pipeline with clear visibility. As of the Latest Practicable Date, we released six programs after the Track Record Period and expect to release 18 programs in 2020, with a total estimated cost of RMB1,706.6 million. This program pipeline has the following characteristics:

- *Focus on core genres.* Our current pipeline continues to leverage our extensive knowledge and experience to strategically focus on five genres. As of the Latest Practicable Date, we had a total of two programs on food, five programs on work/career, four programs on urban, 10 programs on youth and three programs on police/crime in 2019 and 2020.
- *Diversification in format.* We are increasing focus on drama series, with eight programs expected to be released in 2020. We are also developing other media formats such as documentaries, cartoons, comics and books.
- *Diversification in media.* We are strategically developing content for new media to broaden the spectrum of our program pipeline and reach new audiences. As such, we have seven programs expected to be released in 2020 that are developed for new media such as made-for-internet movies and drama series and short-form videos.
- *Released at weekend primetime on top networks.* Our programs continue to occupy primetime slots on China's leading networks. As of the Latest Practicable Date, we expect to release a total of 11 TV programs in 2020, five of which will be released at weekend primetime slots and 10 of which will be released on a Big Five Satellite TV Network.

As of the Latest Practicable Date, we had a total of six and 18 programs with an estimated cost of RMB1,706.6 million released after the Track Record Period or expected to be released in 2020, respectively, consisting of the following:

- *Definitive contracts.* We released six programs after the Track Record Period with an estimated cost of RMB154.4 million. We had four programs expected to be released in 2020, for which we had entered into definitive contracts, with a total estimated cost of RMB522.2 million;
- *LOIs.* We had six programs expected to be released in 2020, for which we had entered into LOIs, with a total estimated cost of RMB355.0 million; and
- *Internal project approval.* We had received internal project approvals for eight programs expected to be released in 2020, with a total estimated cost of RMB675.0 million.

Visionary founder with a highly experienced senior management team

We have enjoyed very rapid growth since we were founded in 2014. We believe that we owe that success in significant part to the chairman of the Board, Mr. Liu, who developed and implemented our distinctive and integrated business model. Mr. Liu has approximately 10 years of experience in media and TV, including serving as brand director of Zhongguang Chuanhua Film and Television Culture Consulting Co., Ltd. (中廣傳華影視文化諮詢有限公司), which operates the China Radio, Film and TV publication affiliated with the NRTA. Through these experiences, Mr. Liu gained knowledge

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and experience in television program development as well as a broad network of contacts in the field. Moreover, these experiences, we believe, have helped Mr. Liu develop a keen grasp of regulatory trends and trends in audience tastes and preferences, which, combined with his business acumen, contributed to his success as an entrepreneur.

Our other senior management team members are also highly experienced in content development and production, and project management. For example, Ms. Chen Jia (陳佳), our vice president, is responsible for overseeing our daily business operations and has approximately 10 years of experience in program development in the film and television industry, having worked for major TV networks including CCTV and Zhejiang Satellite TV. Ms. Chen has worked on major programs such as “Hand in Hand in Love Village” (牽手愛情村) and “Have You Eaten” (儂飯吃過咪). Ms. Cheng Cang (程藏), our director of content production, has over five years of experience in media and content development. Our senior management team is supported by a robust team of experienced content developers, producers and marketers who are instrumental to ensuring the successful release of our program content.

We believe that the deep understanding of our Founder, other members of our senior management team and our content development, production and marketing teams in our industry, regulatory environment and competitive landscape will continue to help us in our efforts to expand in the future.

BUSINESS STRATEGY

Continue to expand and diversify pipeline portfolio

We intend to continue to expand and diversify our program portfolio. In the next phase of our expansion, we intend to focus our resources in the following areas:

- *TV drama series.* We have historically focused on TV variety programs. TV drama series generally require substantial upfront investments but offer a higher rate of return than variety programs. In light of our rapid growth, we plan to increase our investments in TV drama series. As of the Latest Practicable Date, we plan to release a total of two TV drama series in 2020. We are also in talks to work with government agencies on police/crime TV dramas.
- *Made-for-internet programs.* The made-for-internet program market in China is expected to grow rapidly with a CAGR of over 20% from 2019 to 2023 as online viewership increases driven by the viewing habits of young people. Accordingly, we plan to increase investments in developing original programs for this type of audience. As of the Latest Practicable Date, we had released four made-for-internet movies, one drama series and one short-form video program. Most of these programs are expected to be reality based, similar to “Beijing Drifters’ Love Story” (北漂愛情故事) and “Fall of a KOL.” In addition, in light of the success of programs such as “Beijing Drifters’ Love Story,” we plan to extend the concept to develop programs centered on the culture of other major cities in China, including Shanghai, Chengdu and Shenzhen. As of the Latest Practicable Date, we plan to release a total of seven made-for-internet programs in 2020.

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- *New core genres.* We have focused our resources in operating programs in five genres — food, work/career, urban, youth and police/crime. We are exploring to expand into other genres such as history and culture.
- *Intellectual property extension.* We plan to continue extending existing concepts into new programs through tie-ins. As of the Latest Practicable Date, three of our 18 programs expected to be released in 2020 were developed through concept extension.

Explore new sources of potential revenue growth

We are actively exploring new potential sources of revenue by leveraging our self-owned intellectual property, which we believe are business opportunities with high profitability and relatively low costs. For example, we intend to extend the concept of popular programs to develop derivative products, including tie-in merchandise such as toys, tech accessories, bags, and other collaborations featuring characters from the programs. Among our expected 2020 releases, for instance, we are exploring tie-in toy merchandise for “Mr. Cat” to target the strong interests of young professional fans of “Mr. Cat” in collecting derivative products of the characters they like. In addition, we have a growing business serving the needs of small and medium enterprise clients through new media formats. As part of that effort, we plan to expand that business and strengthen our partnership with short-form video platforms such as Douyin (抖音) and Kuaishou (快手). In addition, we plan to develop additional cross-platform tie-in programs. A recent example of that is our audiocast program “Work Hard!” (好好工作), a tie-in based on “Hello! Interviewer,” for well-recognized audiocast platforms such as Ximalaya FM (喜马拉雅). See “— Releases after the Track Record Period and Upcoming Releases — Content Development for SMEs.” We also intend to increase efforts in seeking overseas intellectual property rights that we can commercialize in China, as well as traditional Chinese cultural concepts that we can commercialize in overseas markets.

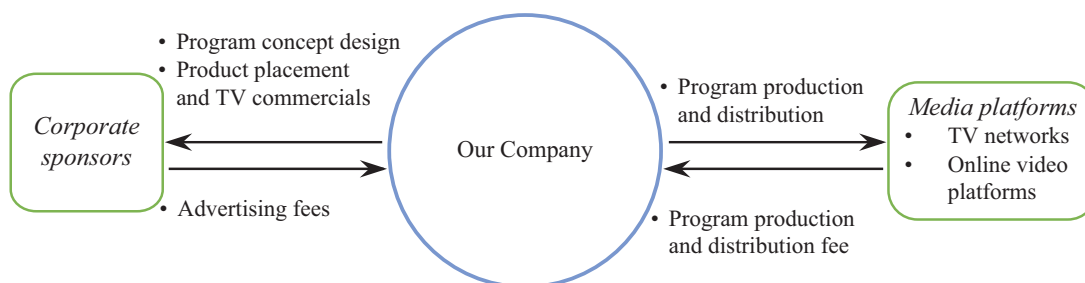
Continue building our team to support expansion

We believe that high quality, experienced and dedicated employees are the backbone to our success. As of the Latest Practicable Date, we had 84 employees. To support our business expansion and growing pipeline, we plan to expand our team and may consider to do so through acquiring and consolidating small studios or teams. We expect to increase our headcount by approximately 75 to reach approximately 150 employees in 2020, primarily engaging more content development, marketing and production personnel. Of the new employees, approximately 51 employees will be responsible for content development, approximately 10 employees will be responsible for marketing, approximately seven employees will be responsible for operation, approximately five employees will be responsible for content acquisition and approximately two employees will be responsible for administrative and human resources. For potential acquisitions, we plan to focus on upstream and downstream businesses, such as post-production editing and special effects. We will continue to seek creative and marketing talent that understand and can collaboratively work within our distinctive and integrated business model. In addition, to cultivate talent and encourage employee loyalty, we plan to improve our compensation and promotion system to incentivize employees and to focus on employee training and development.

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BUSINESS MODEL

We produce and distribute programs to fulfill the demand of corporate sponsors and media platforms. Corporate sponsors advertise on our programs and/or purchase TV commercials associated with our programs. Media platforms engage us to produce and distribute programs and also share income from advertising sales with us. The following is an illustration of our revenue model. For more information, see “— Operating Process” and “— Sales and Contracts.”



PROGRAM PORTFOLIO

Because we are a relatively young company, we have focused our resources on building our experience and capabilities in developing programs in five genres — food, work/career, urban, youth and police/crime. We have selected these five genres, which we sometimes refer to as “product lines,” because we believe that they share these characteristics: (i) they are accessible and have a wide audience; (ii) the concepts can be more readily extended to create tie-in programs and other merchandise; and (iii) these are generally consistent with government policies and regulatory trends. We generate content-related revenue from programs in our pipeline, in which we hold an investment entitlement. Such revenue is subject to the sponsorship level and/or the performance of these programs. In addition, we also generate revenue from other services, including programs in which we do not hold an investment entitlement. For details, see “— Other Services.”

The following table sets forth key information on our programs released during the Track Record Period as well as releases after the Track Record Period and upcoming releases in 2020 based on our plans as of the Latest Practicable Date. For details of our main programs, see “— Programs Released During the Track Record Period” and “— Releases after the Track Record Period and Upcoming Releases.”

Program ⁽¹⁾	Format	Genre	Start of program duration ⁽²⁾	Actual/expected release date ⁽³⁾	Primary media platform ⁽⁴⁾
Programs Released during the Track Record Period					
Hello Food (誰是你的菜) (Seasons 1-3)	TV variety	Food	July 2015 (Season 1)/May 2016 (Season 2)/March 2017 (Season 3)	October 2015 — September 2017	Anhui Satellite TV
Chef in the House (家有廚神)	TV variety	Food	April 2017	May 2017 — July 2017	Anhui Satellite TV

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Program ⁽¹⁾	Format	Genre	Start of program duration ⁽²⁾	Actual/expected release date ⁽³⁾	Primary media platform ⁽⁴⁾
Hello! Interviewer (你好！面試官) ⁽⁵⁾ (Seasons 1-7) .	TV variety	Work/career	October 2017	November 2017 — January 2020	Shenzhen Satellite TV; Tencent Video
Beijing Drifters' Love Story (北漂愛情故事) . . .	Made-for-internet drama series	Urban	May 2017	February 2019	iQIYI
Super Show (超級大首映)	TV variety	Youth	February 2016	March 2016 — November 2016	Anhui Satellite TV
Fall of a KOL (網紅是怎樣倒下的)	Made-for-internet movie	Youth	November 2016	February 2017	Sohu Video
Fall of a KOL Series — Apt. #71 (71號公寓)	Made-for-internet movie	Youth	July 2017	March 2018	Sohu Video
Hey! Let's Sing (嗨！唱起來) (Season 1) . . .	TV variety	Youth	March 2018	April 2018 — July 2018	Jiangsu Satellite TV
Fall of a KOL Series — Invisible Lover (看不見的戀人) parts I and II	Made-for-internet movie	Youth	July 2017	September 2018	Sohu Video
Time & Tree Hollows 1.0 (時光樹洞1.0) .	Made-for-internet short-form video	Work/career	April 2019	June 2019	Douyin

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Program ⁽¹⁾	Format	Genre	Actual/ expected start of program duration ⁽²⁾	Actual/ expected release date ⁽³⁾	Primary media platform ⁽⁴⁾	Current status as of the Latest Practicable Date
<i>Releases after the Track Record Period and Upcoming releases in 2019</i>						
To Infinity and Beyond (從地球出發) ^{(6)*}	TV variety	Youth	November 2018	December 2019	Jiangsu Satellite TV	<ul style="list-style-type: none"> Master tape delivered and program released
The Taste of Time (穿越時間的味道) ^{(6)*}	TV variety	Food	November 2017	November 2019	Jiangsu Satellite TV	<ul style="list-style-type: none"> Master tape delivered and program released
Oh! My Boss (老總來了) ^{(6)*}	TV variety	Work/career	July 2019	November 2019	Dragon TV	<ul style="list-style-type: none"> Master tape delivered and program released
One Shop One Dream (我想開個店) ^{(6)*}	TV variety	Urban	September 2019	December 2019	Jiangsu Satellite TV	<ul style="list-style-type: none"> Master tape delivered and program released
Jingdong Campus Superstar (京東校園之星大開演界) ^{(6)*}	Made-for-internet variety	Youth	November 2019	November 2019	Tencent Video	<ul style="list-style-type: none"> Master tape delivered and program released
<i>Upcoming releases in 2020</i>						
The Shining Girl (耀眼的你) ^{(7)*}	Made-for-internet movie	Youth	March 2019	January 2020	iQIYI	<ul style="list-style-type: none"> Master tape delivered and program released
Our Bands (我們的樂隊) (Hey! Let's Sing 2) ^{(8)*}	TV variety	Youth	January 2019	2020 Q1	a Big Five Satellite TV Network and a leading online video platform	<ul style="list-style-type: none"> Contract with the media platform signed Contracts and LOIs with corporate sponsors signed Master tape of the certain episodes delivered
Renascence (鳳順九天) ⁽⁷⁾⁺	Made-for-internet drama series	Youth	February 2019	2020 Q1	iQIYI	<ul style="list-style-type: none"> Investment contract signed Master tape delivered
The Taste of Time 2 (穿越時間的味道 2)	TV variety	Food	July 2020	2020 Q4	a Big Five Satellite TV Network and a leading online video platform	<ul style="list-style-type: none"> LOI with the media platform signed Commercial terms to finalize: our investment and revenue receivable

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Program ⁽¹⁾	Format	Genre	Actual/ expected start of program duration ⁽²⁾	Actual/ expected release date ⁽³⁾	Primary media platform ⁽⁴⁾	Current status as of the Latest Practicable Date
Hello! Interviewer (你好！面試官) (Seasons 8-10)	TV variety	Work/career	April 2020	2020 Q2	non-Big Five Satellite TV Network and a leading online video platform	<ul style="list-style-type: none"> Contract with the media platform signed LOI with corporate sponsors signed Pre-filming preparation
Time & Tree Hollows 2.0 (時光樹洞 2.0)	Made-for-internet short-form video	Work/career	April 2020	2020 Q2	a leading short-form video platform	<ul style="list-style-type: none"> Internally approved Program content agreed as evidenced by meeting minutes
Mr. Cat (貓先生)*	Made-for-internet drama series	Work/career	July 2018	2020 Q3	a leading online video platform	<ul style="list-style-type: none"> LOI with the media platform signed Has passed the preliminary review procedures of the media platform Program content and estimated scale and budget agreed as evidenced by meeting minutes Commercial terms to finalize: our investment and revenue receivable Internally approved Internally approved Program content and estimated scale and budget agreed as evidenced by meeting minutes Internally approved
Oh! My Boss 2 (老總來了2) Beijing Drifters' Love Story 2 (北漂愛情故事2)*	TV variety Made-for-internet drama series	Work/career Urban	June 2020 April 2018	2020 Q4 2020 Q4	a Big Five Satellite TV Network a leading online video platform	<ul style="list-style-type: none"> Program content and estimated scale and budget agreed as evidenced by meeting minutes Internally approved
Wheel of Life (生命之輪)	TV drama series	Urban	September 2019	2020 Q3	a Big Five Satellite TV Network and a leading online video platform	<ul style="list-style-type: none"> Program content and estimated scale and budget agreed as evidenced by meeting minutes Internally approved

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Program ⁽¹⁾	Format	Genre	Actual/ expected start of program duration ⁽²⁾	Actual/ expected release date ⁽³⁾	Primary media platform ⁽⁴⁾	Current status as of the Latest Practicable Date
Studio Stories (錄影棚的故事)	Made-for-internet drama series	Urban	September 2020	2020 Q4	a leading online video platform	<ul style="list-style-type: none"> Internally approved
You are the One (你就是主角)	TV variety	Youth	March 2020	2020 Q3	a Big Five Satellite TV Network	<ul style="list-style-type: none"> Internally approved
Go Viral (爆款)*	Made-for-internet drama series	Youth	January 2020	2020 Q3	a leading online video platform	<ul style="list-style-type: none"> LOI with the media platform signed
						<ul style="list-style-type: none"> Has passed the review and met the collaboration standard and the requirement of the media platform
						<ul style="list-style-type: none"> Program content and estimated scale and budget agreed as evidenced by meeting minutes
						<ul style="list-style-type: none"> Commercial terms to finalize: our investment and revenue receivable
Hey! Let's Sing 3 (嗨！唱起來 3)	TV variety	Youth	April 2020	2020 Q4	a Big Five Satellite TV Network and a leading online video platform	<ul style="list-style-type: none"> Internally approved
Correct My Chinese (華語糾錯王)*	TV variety	Youth	January 2018	2020 Q3	a Big Five Satellite TV Network	<ul style="list-style-type: none"> Internally approved
						<ul style="list-style-type: none"> LOI with corporate sponsors signed
Call to Duty (使命的召喚)*	TV variety	Youth	December 2017	2020 Q4	a Big Five Satellite TV Network	<ul style="list-style-type: none"> Internally approved
Mind the Gap (一念無間)*	TV drama series	Police/crime	August 2018	2020 Q3	two Big Five Satellite TV Networks and a leading online video platform	<ul style="list-style-type: none"> Contract with the media platform signed
						<ul style="list-style-type: none"> Contract and an LOI with corporate sponsors signed
Mind the Gap – Two Cities (一念無間之雙城)*	Made-for-internet drama series	Police/crime	January 2020	2020 Q4	a leading online video platform	<ul style="list-style-type: none"> Internally approved
						<ul style="list-style-type: none"> LOI with corporate sponsors signed

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Program ⁽¹⁾	Format	Genre	Actual/ expected start of program duration ⁽²⁾	Actual/ expected release date ⁽³⁾	Primary media platform ⁽⁴⁾	Current status as of the Latest Practicable Date
Urban Hero – The Stories at a Police Station (城市英雄之派出所故事) ^{(8)*}	TV variety	Police/crime	May 2018	2020 Q4	a Big Five Satellite TV Network	<ul style="list-style-type: none"> Internally approved LOI with corporate sponsors signed

(1) Program titles are subject to change.

(2) The start of program duration refers to the time when we begin to incur costs, making first payments to suppliers to produce the relevant program. The expected start of program duration reflects our plans as of the Latest Practicable Date and are subject to change.

(3) The expected release dates for upcoming releases reflect our plans as of the Latest Practicable Date and are subject to change.

(4) The primary media platforms for upcoming releases reflect our plans as of the Latest Practicable Date based on the definitive contracts or LOIs signed or negotiations with potential media platforms as of the Latest Practicable Date and are subject to change.

(5) “Hello! Interviewer” (seasons 5-7) was released from May 2019 to January 2020, but for which we delivered master tape of all episodes in a single batch in April 2019 (and recognized a substantial majority of the revenue during the Track Record Period).

(6) We hold a 90% interest in this program because we sold 10% interest to an investor. For this program, we are responsible for program production. For details, see “— Releases after the Track Record Period and Upcoming Releases — Our Program Pipeline — Youth Genre — To Infinity and Beyond.”

(7) We hold a 10% interest in this program and act as a joint producer. For details, see “— Releases after the Track Record Period and Upcoming Releases — Our Program Pipeline — Youth Genre — Renascence.”

(8) We hold a 95% interest in this program because we sold 5% interest to an investor. For this program, we are responsible for program production. For details, see “— Releases after the Track Record Period and Upcoming Releases — Our Program Pipeline — Police/crime Genre — Urban Hero — The Stories at a Police Station.”

* We had made payments to suppliers to produce the pipeline program as of the Latest Practicable Date.

+ We had completed production of the pipeline program as of the Latest Practicable Date.

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PROGRAMS RELEASED DURING THE TRACK RECORD PERIOD

The following table sets forth the components of our content-related revenue by program for the period indicated. For a description of our other sources of revenue, see “Financial Information — Description of Income Statement Line Items — Revenue — Revenue by Source.”

	For the year ended December 31,			For the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	(unaudited)				
TV variety programs					
Hello Food (誰是你的菜)	107,702	123,961	-	-	-
Super Show (超級大首映)	15,947	-	-	-	-
Chef in the House (家有廚神)	-	2,453	-	-	-
Hello! Interviewer (你好!面試官)	-	16,255	96,985	74,012	98,742
Hey! Let's Sing (嗨!唱起來)	-	-	182,884	182,884	-
To Infinity and Beyond (從地球出發)	-	-	-	-	58,641
Oh! My Boss (老總來了)	-	-	-	-	42,453
<i>Subtotal</i>	<u>123,649</u>	<u>142,669</u>	<u>279,869</u>	<u>256,896</u>	<u>199,836</u>
Made-for-internet movie					
Fall of a KOL series (網紅是怎樣倒下的) ⁽¹⁾	-	1,057	1,175	503	4
Made-for-internet drama series					
Beijing Drifters' Love Story (北漂愛情故事)	-	-	-	-	5,415
Renascence (鳳唳九天)	-	-	-	-	17,453
<i>Subtotal</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,868</u>
Total content-related revenue	<u>123,649</u>	<u>143,726</u>	<u>281,044</u>	<u>257,399</u>	<u>222,708</u>

(1) Includes “Fall of a KOL”, “Apt. #71” and “Invisible Lover” parts I and II.

The following table sets forth the movement in backlog of contracts for our program portfolio during the Track Record Period:

	For the year ended December 31,			For the eight months ended August 31,
	2016	2017	2018	2019
	(RMB in thousands)			
Opening value of backlog	5,532	2,800	32,190	9,417
Net value of new programs ⁽¹⁾	132,778	199,444	308,133	283,524
Revenue recognized ⁽²⁾	135,510	170,054	330,907	236,071
Closing value of backlog ⁽³⁾	2,800	32,190	9,417	56,870

- (1) Represents the total contract value of new programs for which we entered into definitive contracts during the relevant year or period indicated.
- (2) Represents the revenue recognized during the relevant year or period indicated, which are net of time slot purchase fees but not net of VAT.
- (3) Represents the total contract value for the remaining work for programs that have not been delivered as of the end of the relevant year or period indicated. This amount does not include certain advertising revenue that we may generate pursuant to revenue sharing arrangements with media platforms because such revenue is determined after the relevant programs are broadcast.

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Food Genre

Hello Food (誰是你的菜)



Quick Facts

	Season 1	Season 2	Season 3
Main platform		Anhui Satellite TV	
Program duration	July 2015 to October 2015	May 2016 to June 2016	March 2017 to May 2017
Release date/Life cycle	13 episodes from October 11, 2015 to January 3, 2016	14 episodes from June 30, 2016 to October 6, 2016	13 episodes from May 4, 2017 to September 14, 2017
On-air schedule	Sundays at 10 pm	Thursdays at 9:10 pm	Thursday at 10 pm
Duration per episode		60 to 65 minutes	
Main sponsors (brands promoted)	Leading distributor of food products in China (leading cooking oil brand)	Leading distributor of food products in China (leading cooking oil brand)	Major beverage distributor (Vita Coco (維他可可))
Average viewership ratings	0.61	0.73	0.45

Program Description

“Hello Food” was our first program developed in our brief history. The concept of “Hello Food” is to discover what celebrities are like in real life through discussions that start from food. In each episode, two celebrity guests are invited to the program to discuss cuisine, cooking and lifestyle through the items inside their refrigerators. The program combines elements of food shows, talk shows, celebrity gossips and reality shows.

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Our three-season “Hello Food” attracted several corporate sponsor clients promoting famous brands in the PRC. We successfully promoted the idea of “Hello Food” to a leading distributor of food products in China, which became our corporate sponsor for the first season promoting their cooking oil brand. In the second season, due to the success of the show, we were able to engage additional advertisers promoting BYD, Unilever and Gree Electronics. We also had a new corporate sponsor promoting Vita Coco in the third season. “Hello Food” was our first collaboration with Anhui Satellite TV, a leading Satellite TV Network in China, according to the F&S Report. We were able to secure a primetime slot on that network for the entire three seasons of “Hello Food.”

“Hello Food” finished its first season with an average viewership rating of 0.61. The show continued its success in its second season, with 10 of 14 episodes ranking first at its time slot, and an average viewership rating of 0.73. “Hello Food” finished its run in its third season with 11 of 13 episodes ranking in the second or third at its time slot, and an average viewership rating of 0.45.

After “Hello Food,” Anhui Satellite TV re-applied the concept of the show and engaged us to produce and distribute “Chef in the House.” See “— Chef in the House (家有厨神).” We are also extending the concept of “Hello Food” to develop other programs to be released, including the variety program “The Taste of Time.” See “— Releases after the Track Record Period and Upcoming Releases.”

Chef in the House (家有厨神)



Quick facts

Main platform	Anhui Satellite TV
Program duration	April 2017 to May 2017
Release date/Life cycle	13 episodes from May 4, 2017 to July 27, 2017
On-air schedule	Thursdays at 9:20 pm
Duration per episode	30 minutes
Average viewership ratings	0.19

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Program Description

“Chef in the House” had a similar concept as “Hello Food” but participants were non-celebrities. In each episode, we invite two families to compete by making a dish within 30 minutes. A famous chef is invited in each episode as the judge who chooses the winner.

Work/Career Genre

Hello! Interviewer (你好！面试官) (Seasons 1-7)



Quick Facts

Main platform	Shenzhen Satellite TV; Tencent Video
Program duration	October 2017 to November 2017 (Season 1)/March 2018 to November 2018 (Seasons 2-4)/March 2019 to January 2020 (Seasons 5-7)
Release date/Life cycle	November 2017-January 2020
On-air schedule	Thursdays at 10 pm
Duration per episode	50 minutes
Main sponsors	Various companies
Average viewership ratings	0.15

Program Description

“Hello! Interviewer” was our first program in the work/career genre. In the show, job seekers have an opportunity to talk face to face with twelve employers, and the employers get the chance to discuss their companies and products during the interview process. The program was unique in that it serves as a bridge between employers and job seekers, and provides a platform to display the core strengths of employers and the professionalism and expertise of job seekers. This differentiates the program from traditional work/career shows that are more from the perspective of the job seekers.

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The concept of the show to focus on the employers came about through our recognition that there was substantial demand from SME employers for media exposure on television, both to recruit employees and to promote their products and brands. We selected Shenzhen Satellite TV as our partner for the program because we believed that Shenzhen, with its vibrant economy and a large number of young job seekers, had the demographics that we were targeting.

Although “Hello! Interviewer” was originally developed for SME employers, the program’s popularity also caught the attention of many large enterprises such as Coca-Cola, Johnson & Johnson and Mastercard. As a result, starting from the fourth season of the program, we reduced the number of employer guests on each episode from 12 to 6 to provide greater exposure to these employers.

We are extending the concept of “Hello! Interviewer” to develop other programs to be released and on different platforms, including “Oh! My Boss” and “Mr. Cat.” See “— Releases after the Track Record Period and Upcoming Releases.”

Time & Tree Hollows 1.0 (时光树洞1.0)

Main platform	Douyin
Program duration	April 2019 to June 2019
Release date/Life cycle	8 episodes from June 14, 2019 to July 15, 2019
Duration per episode	One minute
Likes received	Over 44,000



“Time & Tree Hollows 1.0” is our first made-for-internet short-form video. The story is set in a nondescript watch store. The main character is a mysterious watchmaker who serves customers from all walks of life at his watch store. The episodes tell the life and stories of his customers as the watchmaker gets to know them, through which the audience sees how relatable we all are to each other.

Urban Genre***Beijing Drifters' Love Story (北漂爱情故事)******Quick Facts***

Main platform	iQIYI
Program duration	May 2017 to February 2019
Release date	February 20, 2019; 12 parts
Life cycle	February 2019 – April 2019
Duration per episode	45 to 55 minutes
Main sponsor	BYD
Views	Over 45 million

Program Description

“Beijing Drifters’ Love Story,” our first urban genre program, is a made-for-internet drama series that tells the story of five young people in their twenties and one middle-aged lady who leave their far-flung hometowns and move into a same apartment in Beijing. Over the course of their stay, these six people experience career difficulties, family troubles, romances, fights, laughs, tears and surprises as they learn what it truly means to survive in a metropolis like Beijing.

Since 2018, the NRTA has encouraged the production and distribution of real-life themed dramas describing the contemporary lives of everyday people. “Beijing Drifters’ Love Story” was one of the first major made-for-internet drama series released in response to the regulatory trend. We successfully solicited an existing client, BYD, as a corporate sponsor to the program. The program was among the highest-rated drama series shown on iQIYI when it premiered, and received over 45 million views since its release. This program had a relatively long development period from May 2017

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to February 2019 because we needed more time to develop the script, which was adapted from an urban novel based on demands of the media platform.

Due to its success, we are developing seasons 2 and 3 of “Beijing Drifters’ Love Story,” with new characters and storylines. See “— Releases after the Track Record Period and Upcoming Releases.” We also plan to develop similar storylines based in cities such as Shanghai and Shenzhen.

Youth Genre

Super Show (超級大首映)



Quick Facts

Main platform	Anhui Satellite TV
Program duration	February to March, 2016
Release date/Life cycle	35 episodes from March 27, 2016 to November 11, 2016
On-air schedule	Sundays at 10 pm (episodes 1-25); Friday at 9:20 pm (episodes 26-35)
Duration per episode	70 minutes
Main sponsor	BYD
Average viewership ratings	0.27

Program Description

The concept of “Super Show” is to inform the audience of the latest released movies and TV drama series in a format where the actors promoting their movies and shows would engage in lively discussions on their experiences while filming.

We developed the concept after Anhui Satellite TV approached us seeking a movie premiere-themed variety program. Our client, BYD, became the corporate sponsor to the program promoting their “Qin” series when we demonstrated to them that our main audience to the program, middle class young people, was also their targeted demographic.

Fall of a KOL (網紅是怎樣倒下的)



Quick Facts

Main platform	Sohu Video
Program duration	November 2016 to February 2017
Release date	February 28, 2017
Life cycle	February 2017 — August 2019
Duration per episode	Approximately 65 minutes
Views	Over 70 million

Program Description

“Fall of a KOL” is an emotional and inspirational made-for-internet movie that tells the story of three village girls who come to the city to begin an exciting and complicated chapter of their lives as KOLs amidst the rise of internet KOL economy in China. The three girls subsequently undergo dramatic transformations since coming to the city. When faced with challenges and difficult choices, some choose to adapt and integrate, while others choose to detach and avoid. The three girls, each with a different attitude towards love, approach budding new romances in their own way. This movie is a reflection of the real lives, values and perspectives of youths living in this complex world. Since its release, “Fall of a KOL” received over 70 million views, and at that time was one of the highest rated programs among all of China’s online video platforms.

Inspired by the success of “Fall of a KOL,” we developed two additional made-for-internet movies subsequently, namely “Apt. #71” and “Invisible Lover” parts I and II, to form a movie series. “Apt. #71” is a made-for-internet horror movie that tells the story of an actor who, after waking up and finding himself trapped inside an apartment, searches for his captor. “Invisible Lover” parts I and II tell the experiences of a young professional seeking to raise money to treat his sick girlfriend. As of the Latest Practicable Date, “Apt. #71” and “Invisible Lover” have received over 0.4 million and approximately 0.7 million views, respectively.

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Hey! Let's Sing (嗨！唱起来)



Quick Facts

Main platform	Jiangsu Satellite TV
Program duration	March to April, 2018
Release date/Life cycle	12 episodes from April 27, 2018 to July 13, 2018
On-air schedule	Fridays at 10 pm
Duration per episode	70 minutes
Main sponsor	Unilever
Average viewership ratings	0.71

Program Description

“Hey! Let’s Sing” was one of our largest variety programs during the Track Record Period. It is a show positioned at the cross section of singing by professional performers as celebrity guests and amateur auditions. We jointly developed the program concept and produced and distributed the program together with our client and partner, Kugou Music. Before the show, 100 non-celebrity contestants were selected through Kugou Music’s online music platform, which offered a karaoke function with a scoring system. During the show, the host will select at random three out of these 100 contestants to sing together with a celebrity guest a song adapted by the contestant from a song originally sung by the celebrity guest. At the end of each episode, the 100 contestants will sing a song together with the celebrity guest. The program’s format is designed to discover new talent and music, and bridge the emotional gap between celebrity guests and non-celebrity contestants.

“Hey! Let’s Sing” was our first collaboration with Jiangsu Satellite TV. In the first season of the program, Kugou Music and we act as co-producers. We sold a majority interest in the intellectual

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property rights associated with the first season for a lump sum to Kugou Music and retained a minority ownership in these rights. For details, see “— Intellectual Property.” We engaged Jiangsu Satellite TV to produce the program, in contrast to our usual business practice where we would be engaged by TV networks to produce and distribute programs. We were responsible for developing the content and overseeing the production process, while Jiangsu Satellite TV provided equipment and services such as lighting, sound, choreography, celebrity guest and non-celebrity contestant coordination, and was responsible for marketing and distribution of the program.

The second season of “Hey! Let’s Sing” will be substantially revamped and retitled to “Our Bands” (我們的樂隊). See “— Releases after the Track Record Period and Upcoming Releases.”

RELEASES AFTER THE TRACK RECORD PERIOD AND UPCOMING RELEASES

As of the Latest Practicable Date, we released six programs after the Track Record Period, and expect to release 18 programs in 2020. The following table sets forth details of our releases after the Track Record Period and upcoming releases in 2020 based on our plans as of the Latest Practicable Date.

	Released after Track Record Period		Contracts signed ⁽¹⁾		LOI signed		Internally approved ⁽²⁾		Total		Cost incurred as of the Latest Practicable Date
Estimated release time	No. of programs	Estimated costs	No. of programs	Estimated costs	No. of programs	Estimated costs	No. of programs	Estimated costs	No. of programs	Estimated costs	
		(RMB in millions)		(RMB in millions)		(RMB in millions)		(RMB in millions)		(RMB in millions)	
2019											
TV programs	4	146.9	—	—	—	—	—	—	4	146.9	116.6
Made-for-internet programs	1	5.5	—	—	—	—	—	—	1	5.5	4.6
<i>Subtotal</i>	<i>5</i>	<i>152.4</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>5</i>	<i>152.4</i>	<i>121.2</i>
2020											
TV programs	—	—	3	508.0	3	208.0	5	548.0	11	1,264.0	409.3
Made-for-internet programs	1	2.0	1	14.2	3	147.0	3	127.0	8	290.2	20.0
<i>Subtotal</i>	<i>1</i>	<i>2.0</i>	<i>4</i>	<i>522.2</i>	<i>6</i>	<i>355.0</i>	<i>8</i>	<i>675.0</i>	<i>19</i>	<i>1,554.2</i>	<i>429.3</i>
Total	6	154.4	4	522.2	6	355.0	8	675.0	24	1,706.6	550.5

- (1) Contracts signed represents the definitive contracts we entered into with media platforms and/or corporate sponsors. In cases where we have not entered into definitive contracts, we may nevertheless incur costs, making first payments to suppliers to produce the program, if we have a high degree of confidence that the material terms have been agreed to and the contracts will be entered into eventually.
- (2) Our internally approved projects are generally those where we have reached an understanding with potential corporate sponsors and media platforms on the basic commercial terms of collaboration.

As of the Latest Practicable Date, we had entered into definitive contracts for four programs expected to be released in 2020. For the remaining 14 programs expected to be released in 2020, our Directors believe that there would not be any material difficulties in entering into definitive contracts considering that:

- *Industry practice.* According to the F&S Report, it is common in our industry for definitive contracts to be signed relatively late in the program development process. Typically, contracts with media platforms are signed shortly before filming, while contracts with corporate sponsors are typically entered into around the time of signing contracts with media platforms, and in some cases, shortly before broadcasting as price negotiations may

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continue. Even though definitive contracts are typically signed at a later stage, based on our stable cooperative relationships with many media platforms and corporate sponsors, we believe that we are able to advance program development under reasonable and mutually acceptable commercial terms through frequent communications and good faith negotiations.

- *Pattern demonstrated during the Track Record Period.* Consistent with the practice described above, although we have historically entered into definitive contracts at a relatively late stage in the program development process, during the Track Record Period, we have successfully advanced substantially all of our internally approved programs to sign definitive contracts. We internally approved two, five and seven programs in 2016, 2017 and 2018, respectively, and entered into definitive contracts for all of these programs except for one program in 2018, as we subsequently decided not to proceed with.

Our Directors believe that there is a need for corporate sponsors to efficiently utilize their advertising budget to promote their products and services, while media platforms endeavor to generate advertising income through the provision of high quality programs. As long as we can agree in principle with media platforms and corporate sponsors on certain key commercial terms, such as program content, price and broadcast arrangement, there would not be any material difficulties in entering into definitive contracts. Such likelihood is further enhanced by the multiple rounds of communication we have with corporate sponsors and media platforms throughout the production process, through which we can continuously fine tune our programs based on their feedback. In the case of made-for-internet programs and TV drama series, approval from regulatory authorities is required before filming, which further solidifies each party's commitment to the program. The time and effort devoted by the corporate sponsors and media platforms through their continuous involvement also makes it less likely for them not to proceed with signing definitive contracts.

Although we believe there are no material difficulties in entering into definitive contracts for our pipeline programs, we cannot guarantee that we will be able to do so for all of our pipeline programs. Moreover, as of the Latest Practicable Date, we had not reached an agreement on the key commercial terms with counterparties for all of our programs expected to be released in 2020, except for (i) "Our Bands", (ii) "Renascence", (iii) "Hello! Interviewer" (Seasons 8-10) and (iv) "Mind the Gap". For risks relating to our program pipeline, see "Risk Factors — Risks Relating to Our Programs — Information on our pipeline programs may not prove to be accurate or indicative of our future results of operations."

Our Program Pipeline

Food Genre

The Taste of Time (穿越時間的味道) (Seasons 1 and 2)

"The Taste of Time" is a TV variety program that combines traditional Chinese culture and food. It will feature food critics and celebrities as they explore the food traditionally eaten in the 24 solar terms in China. The program seeks to expound on the nuances in Chinese culture and uses traditional Chinese poetry to bring these traditional dishes to life.

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We began to incur costs to produce season 1 as a new food genre program in November 2017. As of the Latest Practicable Date, we had delivered the master tape to the media platform and the first episode of this program was released on Jiangsu Satellite TV in November 2019. Corporate sponsors for this program include Cocovel, BETIS (貝蒂斯), Wuliangchun (五糧醇) and Mengmian Xiaoxiong (蒙面小熊).

We expect to begin to incur costs to produce season 2 in July 2020. Season 2 is planned to be broadcast on a Big Five Satellite TV Network and a leading online video platform in the fourth quarter of 2020. As of the Latest Practicable Date, we had entered into an LOI with the media platform for season 2. Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for season 2.

Work/Career Genre

Hello! Interviewer (你好！面試官) (Seasons 8-10)

Due to the popularity of “Hello! Interviewer,” we plan to continue to produce the program in 2020. The format of the show is expected to remain the same as the first season. See “— Programs Released During the Track Record Period — Work/Career Genre — Hello! Interviewer (你好！面試官) (Seasons 1-7).” We expect to begin to incur costs to produce seasons 8-10 in April 2020 and release seasons 8-10 from the second quarter of 2020. As of the Latest Practicable Date, we had entered into a definitive contract with the media platform and an LOI with a corporate sponsor for seasons 8-10.

Time & Tree Hollows 2.0 (時光樹洞2.0)

“Time & Tree Hollows 2.0” is a sequel to Time & Tree Hollows 1.0. The storyline in “Time & Tree Hollows 2.0” differs from “Time & Tree Hollows 1.0” by incorporating KOL fan economy into the program. The main character is a female fresh college graduate who finds a time-traveling watch. When she puts on the watch, she is able to travel back in time to relive her past interviews and previous work experiences. We expect to begin to incur costs to produce “Time & Tree Hollows 2.0” in April 2020 and release this program from the second quarter of 2020 on a leading short-form video platform. As of the Latest Practicable Date, “Time & Tree Hollows 2.0” had received our internal project approval. Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for this program.

Oh! My Boss (老總來了) (Seasons 1 and 2)

“Oh! My Boss” is a TV variety program that extends on the work/career concept applied in “Hello! Interviewer.” In each episode we invite seven guests, including four celebrity guests and three celebrity chief executives at well-recognized companies, and probe the relationship between employers and employees in the workplace.

We began to incur costs to produce season 1 in July 2019. We have delivered the master tape to the media platform and the first episode of season 1 of this program was released on November 23, 2019 on Dragon TV. The corporate sponsors for this program include Liepin.com (獵聘網).

We expect to begin to incur costs to produce season 2 in June 2020 and plan to release season 2 in the fourth quarter of 2020. As of the Latest Practicable Date, we had internally approved season 2.

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Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for this program.

Mr. Cat (貓先生)

“Mr. Cat” is a made-for-internet drama series adapted from a popular comic book. This program tells the story of several young professionals as they get to know each other through work, and their lives in a busy metropolis. We began to incur costs to produce this program in July 2018 and plan to release this program in the third quarter of 2020 on a leading online video platform. This program has a relatively long development period because it requires more time to develop the script based on demands of the media platform. As of the Latest Practicable Date, we had entered into an LOI with the media platform and contracts with suppliers for “Mr. Cat.” Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for this program.

Urban Genre

One Shop One Dream (我想開個店)

“One Shop One Dream” is a TV variety program. In this program, five celebrities and five entrepreneurs team up with one another to open their “dream store”. These five celeb-entrepreneur duos will then compete with one another while operating the store to see who can get better business results. We began to incur costs to produce this program in September 2019. The first episode of this program was released on December 20, 2019 on Jiangsu Satellite TV.

Beijing Drifters’ Love Story (北漂愛情故事) (Season 2)

We decided to produce and distribute season 2 of “Beijing Drifters’ Love Story”, with an independent storyline from season 1. Like season 1, season 2 will be a made-for-internet drama series distributed on a leading online video platform. We began to incur costs to produce season 2 in April 2018 and plan to release this program in the fourth quarter of 2020. This program has a relatively long development period because it requires more time to develop the script based on demands of the media platform. As of the Latest Practicable Date, “Beijing Drifters’ Love Story” had received our internal project approval. Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for this program.

Wheel of Life (生命之輪)

“Wheel of Life” is a drama series focused on paramedics on an ambulance and tells the stories of life and death they see and experience. This is a TV drama series to be released on a Big Five Satellite TV Network and a leading online video platform. We began to incur costs to produce “Wheel of Life” in September 2019 and plan to release this program in the third quarter of 2020. As of the Latest Practicable Date, “Wheel of Life” had received our internal project approval. Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for this program.

Studio Stories (錄影棚的故事)

“Studio Stories” is a comedy-drama set in a recording studio, finding joy and humor in the day-to-day lives of its staff and customers. This program is a made-for-internet series to be distributed on a

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leading online video platform. We expect to begin to incur costs to produce “Studio Stories” in September 2020 and plan to release this program in the fourth quarter of 2020. As of the Latest Practicable Date, “Studio Stories” had received our internal project approval. Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for this program.

Youth Genre

To Infinity and Beyond (從地球出發)

“To Infinity and Beyond” is a youth genre TV variety program. In each episode, celebrity guests and scientists are invited to the program to discuss different astronomy topics. The program combines elements of a talk show and a science fiction show in order to educate the youth about astronomy and the universe. We had entered into an investment agreement with an investor which acquired a 10% interest in this program. Pursuant to the agreement, we are responsible for program production, content development, negotiations with media platforms, and marketing and advertising of the program, while the investor is entitled to supervise the production process. The investor is entitled to 10% of the revenue of this program. Since we handle a significant portion of the production and operation of this program, direct costs/expenses incurred during production are recognized as program copyrights and the cost of program copyrights is amortized over a period which is normally within one year after the first customer’s acceptance of the program. Such period is determined based on the estimated beneficial period and individual title basis. Revenue from the program is recognized according to the different revenue recognition principles of the relevant business as disclosed in Note 2(p) to the Accountants’ Report set out in Appendix I of the Prospectus. Since a part of the interest will be sold or licensed after the completion of the program, there will be no additional investment costs to be incurred in the future. The agreement can be terminated by mutual consent. We have delivered the master tape to Jiangsu Satellite TV and the first episode of this program was released on December 20, 2019 on Jiangsu Satellite TV. Corporate sponsors for this program include 999 Cold Remedy (999 感冒靈), Zuoye Bangyike (作業幫一課) and Liu Lingzui (劉伶醉).

Jingdong Campus Superstar (京東校園之星大開演界)

“Jingdong Campus Superstar” is a made-for-internet variety program tailored to college students. In each episode, there will be several groups of college students to perform on the stage, and a panel of celebrity judges will critique the student contestants’ performances. We began to incur costs to produce this program in November 2019. The first episode of this program was released on November 23, 2019 on Tencent Video. The corporate sponsor for this program is J.D. com (京東).

Our Bands (我們的樂隊) and Hey! Let’s Sing (嗨！唱起來) (Season 3)

The season 2 of “Hey! Let’s Sing” is expected to be retitled “Our Bands” (我們的樂隊) and the proposed name of the season 3 will be “Hey! Let’s Sing.” In “Our Bands,” ten contestants (five boys and five girls) enter the “Duet House” and live together for 50 days. During this time, the boys and girls seek to find their duet partner to form a duet couple, and prepare a duet performance each week. By following their time spent together in the “Duet House” preparing for each week’s show, the audience votes for their favorite duet couple. The new seasons will be filmed in an outdoor setting rather than in a studio.

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We began to incur costs to produce “Our Bands” in January 2019. “Our Bands” is planned to be broadcast on a Big Five Satellite TV Network and a leading online video platform in the first quarter of 2020. As of the Latest Practicable Date, we had entered into definitive contracts with the media platform and corporate sponsors and LOIs with corporate sponsors for “Our Bands” and had delivered the master tape for certain episodes to the media platform.

We expect to begin to incur costs to produce season 3 of “Hey! Let’s Sing” in April 2020. Season 3 is expected to be broadcast on a Big Five Satellite TV Network and a leading online video platform in the fourth quarter 2020. As of the Latest Practicable Date, season 3 had received our internal approval. Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for season 3.

The Shining Girl (耀眼的你)

“The Shining Girl” is a made-for-internet movie that tells a love story of an ostentatious superstar meeting an ordinary girl and changed by her kindness and values. We began to incur costs to produce “The Shining Girl” in March 2019. This made-for-internet movie was released on January 3, 2020 on iQIYI.

Renascence (鳳唳九天)

“Renascence” is a made-for-internet costume drama series adapted from a popular web fiction. It is about the hardships experienced by a youth in achieving his life goals after the rebirth. The production of the “Renascence” had been completed and the master tape had been delivered to iQIYI as of the Latest Practicable Date. We expect this program to be released in the first quarter of 2020 on iQIYI. On February 12, 2019, we entered into an investment contract with Zhejiang Huahua Movie Media Co. Ltd. (“Zhejiang Huahua”; 浙江花花影視傳媒有限公司) for this program to purchase a 10% interest of the program, pursuant to which (i) we are entitled to 10% of the revenue of this program and (ii) Zhejiang Huahua will lead the production, marketing and broadcasting of this program. We provided advice and input regarding program content and the script before filming and monitored post-production work, such as editing and re-recording. Therefore, our participation in this program is part of our principal activity and not merely a financial investment. During the production stage, the amount of investment we paid is recorded as prepayment to third parties. The amount receivable in relation to the program and the cost we paid are accounted for as revenue and cost of sales, respectively, according to the confirmation from counterparties pursuant to our contract after the program is completed. Our joint producers own the intellectual property rights in relation to the program, and we are entitled to share in the revenue based on the percentage of our investment and the right to be named as a joint producer. We are entitled to terminate our investment agreement by written notification if our joint producers breach the agreement, in which case the joint producers shall return our investment and compensate us for damages.

You Are the One (你就是主角)

“You Are the One” is a TV variety program that focuses on life of the ordinary people. We plan to invite several ordinary people with different backgrounds and jobs, but with a common dream to become actors to our program as guests. In each episode, we will provide them with opportunities to train and perform with famous actors. We expect to begin to incur costs to produce this program in

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March 2020 and release this program in the third quarter of 2020 on a Big Five Satellite TV Network. As of the Latest Practicable Date, “You are the One” had received our internal project approval. Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for this program.

Go Viral (爆款)

“Go Viral” is a made-for-internet science fiction drama series consisting of eight episodes produced by eight different well-recognized directors. Each episode will tell a mind-bending science fiction story in eight minutes. We began to incur costs to produce this program in January 2020 and release this program in the third quarter of 2020 on a leading online video platform. As of the Latest Practicable Date, we had entered into an LOI with the media platform for this program. Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for this program.

Correct My Chinese (華語糾錯王)

“Correct My Chinese” is a TV variety program. In each episode, we hold a contest among several competitors in which they aim to correct Chinese language mistakes in Chinese literature and other contexts in the shortest time. “Correct My Chinese” program aims to incorporate educational elements into entertainment. We began to incur costs to produce “Correct My Chinese” in January 2018 and expect to release this program in the third quarter of 2020 on a Big Five Satellite TV Network. This program has a relatively long development period because it has educational features, which requires more time to research and develop the program content. As of the Latest Practicable Date, “Correct My Chinese” had received our internal project approval and we had entered into an LOI with multiple corporate sponsors for this program. Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for this program.

Call to Duty (使命的召喚)

“Call to Duty” is a military-themed TV variety program. By inviting guests to participate in military trainings, our program aims to inspire the patriotism in participants and viewers. We began to incur costs to produce “Call to Duty” in December 2017 and expect to release this program in the fourth quarter of 2020 on a Big Five Satellite TV Network. This program has a relatively long development period because it is related to police/crime, which typically has a longer regulatory approval time. As of the Latest Practicable Date, “Call to Duty” had received our internal project approval. Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for this program.

Police/Crime Genre

Mind the Gap (一念無間)

This is a major TV drama series that we are developing in 2019. “Mind the Gap” is a white-collar crime drama. The program aims to display and reinforce national unity by focusing on real police work done to solve crime and catch criminals. “Mind the Gap” is planned to be broadcast on two Big Five Satellite TV Networks and a leading online video platform. We began to incur costs to

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produce this program in August 2018 and plan to release this program in the third quarter of 2020. This program has a relatively long development period because it is related to police/crime, which typically has a longer regulatory approval time. As of the Latest Practicable Date, we had entered into definitive contracts with the media platform and a corporate sponsor, and an LOI with a corporate sponsor for “Mind the Gap”.

Mind the Gap — Two Cities (一念無間之雙城)

This is a made-for-internet drama series spun off from the TV drama series of “Mind the Gap.” We began to incur costs to produce “Mind the Gap — Two Cities” in January 2020 and release this program on a leading online video platform in the fourth quarter of 2020. As of the Latest Practicable Date, “Mind the Gap — Two Cities” had received our internal project approval and we had entered into an LOI with multiple corporate sponsors for this program. Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for this program.

Urban Hero — The Stories at a Police Station (城市英雄之派出所故事)

This program is a documentary-reality variety program that celebrates the everyday heroes among us. This program is planned to be broadcast on a Big Five Satellite TV Network. In each episode, four celebrities live with local community policemen in Shanghai. Through that experience, the program shows how these ordinary citizens contribute in their own way to make Shanghai a welcoming and safe metropolis that many call home. We began to incur costs to produce this program in May 2018 and plan to release this program in the fourth quarter of 2020. This program has a relatively long development period because it is related to police/crime, which typically has a longer regulatory approval time. As of the Latest Practicable Date, “Urban Hero — The Stories at a Police Station” had received our internal project approval and we had entered into an LOI with multiple corporate sponsors for this program. We had also entered into an investment agreement with an investor, which acquired a 5% interest in this program. Pursuant to the agreement, we are responsible for program production, content development, negotiations with media platforms, and marketing and advertising of the program, while the investor is entitled to supervise the production process. The investor is entitled to 5% of the revenue of this program. As of the Latest Practicable Date, this program was still under production and the amount we received from the investor is recognized as amounts received in advance from other producers. The agreement can be terminated by mutual consent. Going forward, we plan to engage in the next round of negotiations with the media platform in 2020 and continue our negotiations with corporate sponsors for this program.

Content Development for SMEs

Historically, we have focused on developing video content for large-scale corporate sponsor clients and released such content on TV networks and online Video platforms. Since the end of 2018, we also began to offer content development services to small and medium enterprise clients. Such client base primarily includes over 80 sponsors of our “Hello! Interviewer” program. Many of these clients have a similar need for brand exposure, product promotion and hiring quality employees, but do not have the financial resources to sponsor full-length video programs. To address these clients’ needs, we have begun to offer sponsorship and advertisement opportunities for short-form videos. For example, on behalf of our clients, we have partnered with a number of well-recognized social media

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influencers to develop short-form videos shown on Douyin and other short-form video platforms. In addition, by leveraging on our in-depth experience on developing work/career themed content like “Hello! Interviewer,” we have developed audiocast programs including “Here comes the Director!” (導演駕到), a behind-the-scenes look at the making of “Hello! Interviewer.” We are in the process of developing “Work Hard!” (好好工作), a program relating to job searching. These programs have been launched on audiocast platforms such as Ximalaya FM and Lanrentingshu (懶人聽書). We intend to generate revenue from these programs by negotiating fees with our platform partners based on listener traffic for certain programs or episodes.

Our Operational and Financial Resources and Management Measures

We believe that we have sufficient operational and financial resources and effective resource management measures to ensure the successful and high quality production and distribution of our pipeline programs.

We believe that we have sufficient operational resources for our program pipeline.

- Our programs have different human resource requirements at different stages of development. For purposes of making human resource allocations, we typically categorize our programs into two stages, namely, the concept development stage (where we are in relatively early stages of developing the program concept) and the program development stage (where we have moved beyond concept development to incur costs to produce the program). We consider the responsibilities of different teams when scheduling the development and production of our programs and assign programs with different expected release dates and/or at different stages of production to staff members.
 - We typically staff two to six members from content development team and two marketing team to each program at the concept development stage. Our marketing team members can participate in and contribute to a number of programs, enabling us to fully leverage the business networks of our employees to move our programs forward.
 - We typically staff approximately three to four content development personnel and two marketing personnel to programs at the program development stage.

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- In addition, we have measures in place to efficiently allocate our human resources, taking into account the size and type of the program. In general, we allocate more human resources to TV drama series than other types of programs due to their large investment amounts and relatively more complicated production process. Similarly, we generally allocate more human resources to the first season of variety programs and drama series than later seasons, because most of the program concepts of later seasons are developed from the first season. The following table sets out the estimated number of staff allocated to each type of programs at different stages.

	<u>Concept development</u>		<u>Program development</u>	
	<u>Content development personnel</u>	<u>Marketing</u>	<u>Content development personnel</u>	<u>Marketing</u>
Variety programs				
<i>First season</i>	4	2	3	2
<i>Later seasons</i>	3	2	3	2
Made-for-internet drama series				
<i>First season</i>	3	2	3	2
<i>Later seasons</i>	2	2	3	2
TV drama series	6	2	4	2

- As of the Latest Practicable Date, we had 43 employees in our content development team and 23 employees in our marketing team. In general, our content development personnel and marketing personnel are responsible for approximately one to two programs at the same time. As of the Latest Practicable Date, we had four variety programs, four made-for-internet drama series and one TV drama series in the program development stage. As of the same date, we had five variety programs, one made-for-internet drama series, one made-for-internet short-form video and one TV drama series in the concept development stage.
- As we advance the progress of our programs expected to be released, our staffing requirements will be as follows:
 - In the first quarter of 2020, one variety program and two made-for-internet drama series that have commenced or expected to commence program development. We expect that the 21 content development personnel working on the programs that released in the fourth quarter of 2019 to have capacity for any new programs starting in the first quarter of 2020.
 - In the second quarter of 2020, three variety programs and one made-for-internet short-form video that are expected to commence program development. Because one variety program and one made-for-internet short-form video are expected to be released in the second quarter of 2020, we expect that the six content development personnel working on those programs to have capacity for any new programs starting in the second quarter of 2020.
 - In the third quarter of 2020, one variety program and one made-for-internet drama series that are currently under concept development are expected to commence

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program development. Because two variety programs, two TV drama series and two made-for-internet drama series are expected to be released in the third quarter of 2020, we expect that the 20 content development personnel working on those programs to have capacity for any new programs starting in the third quarter of 2020.

- As none of our current pipeline programs are expected to commence program development in the fourth quarter of 2020, we do not expect any additional human resources for our current pipeline programs during the period.
- Based on our current staffing arrangements, we believe our content development and marketing personnel are generally sufficient to cover our program pipeline for 2020.
- Going forward, we plan to gradually recruit more content development personnel to continue to generate original content and grow our program pipeline for the next few years. We also plan to recruit additional marketing personnel, as well as other administrative staff, to meet the needs of our growing business operations. For details, please refer to “Future Plans and Use of Proceeds — Use of Proceeds.”

We believe that we have sufficient financial resources for our program pipeline:

- As of the Latest Practicable Date, we released six programs after the Track Record Period. These programs had an estimated remaining cost of RMB31.2 million to be paid as of the Latest Practicable Date according to our current program schedule. We expect to fund the remaining costs for these programs using cash from operations, bank borrowings and proceeds from the Pre-IPO Investments. As of December 31, 2019, we had cash on hand of approximately RMB43.9 million and unutilized banking facilities of approximately RMB119.0 million. In addition, we expect to receive a banking facility in the first quarter of 2020 in an amount of RMB50.0 million.
- We have entered into definitive contracts for four programs and LOIs for six programs and have eight internally approved programs in our pipeline for 2020. These programs have an estimated total cost of RMB1,552.2 million, of which we had paid RMB429.3 million as of the Latest Practicable Date, funded by cash from operations and bank borrowings. We expect to fund the remaining costs for these programs using approximately 85%, or HK\$885.9 million (equivalent to approximately RMB796.1 million), of the net proceeds from the Global Offering (assuming an Offer Price of HK\$2.81, being the mid-point of the Offer Price range), and the remaining using cash from operations and bank borrowings.
- *Effective cash flow management.* We expect the cash from operating activities to increase going forward as we produce and complete more programs in our pipeline. In addition, we will continue to manage the timing and settlement of trade receivables and payables based on our liquidity requirements.
- *Bank loans and facilities.* As disclosed above, historically, we have been able to obtain bank loans and facilities from banks and other financial institutions, and we believe that we will be able to continue to do so in the future. If considered necessary, we may fund the development and production of our pipeline programs by obtaining additional bank and other borrowings, which may be secured with our trade receivables.

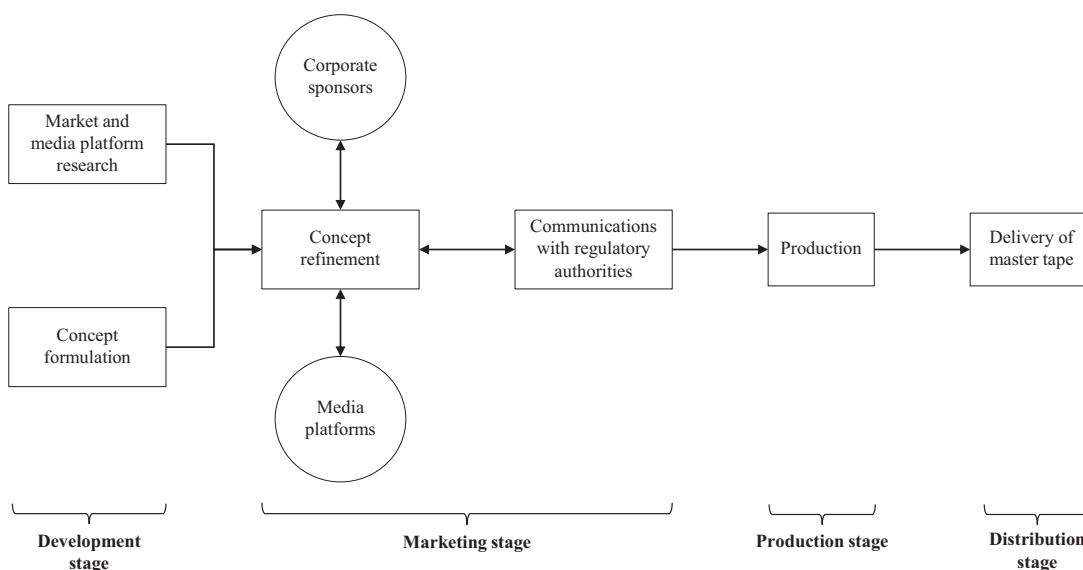
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OTHER SERVICES

In addition to developing, producing, marketing and distributing our own video content, we also provided other services during the Track Record Period and generated revenue of RMB4.2 million, RMB16.7 million, RMB1.9 million and nil in 2016, 2017, 2018 and the eight months ended August 31, 2019, respectively. These other services primarily included (i) the provision of marketing and promotional services to media platforms for their upcoming releases and brand promotion; (ii) program production services to corporate sponsors with respect to three movies, namely “Five Watches” (五隻手錶), “The Murderer is not Far Away” (走不遠的兇手) and “Li Lei and Han Meimei” (李雷和韓梅梅); and (iii) sale of intellectual property rights, such as the script for “Li Lei and Han Meimei” (李雷和韓梅梅). Unlike the programs from which we generate content-related revenue, we did not hold investment entitlement in programs under other services.

OPERATING PROCESS

In general, our operating process includes four stages, namely, the development stage, marketing stage, production stage and distribution stage. The major stages and time frame in our operating process are set out below.



Development (At least nine months prior to broadcast)

We seek to develop concepts that are both creative and marketable. To achieve this goal, we conduct research of the video content market and media platforms to catch up with the latest market trends. We also leverage our experienced in-house content development team to formulate creative program concepts.

Market and Platform Research

Our content development team conducts significant market research on the latest and most popular shows, and analyzes the developments in viewer preferences to identify changes in market trends. For drama series, our drama series production team, consisting of nine employees as of the Latest Practicable Date, actively communicates with media platforms to understand their needs.

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Concept Formulation

Each member of our content development team is required to formulate at least two original program concepts per month, which will be discussed and considered internally. During internal meetings, the quality of these concepts are evaluated. Approximately half of the concepts are presented to our marketing team, who will assess the marketability of each concept in terms of potential sponsorship from corporate sponsors and other advertisers. Our senior management selects the most marketable concepts to present to potential sponsors, while the remaining concepts are stored in our content pool. Currently, we have over 80 original program concepts in our content pool.

Marketing

Generally, the duration of a program begins when we start to incur costs for the program after the program has been internally approved, and lasts through the entire marketing and production stages. We approach corporate sponsors and media platforms with our program concepts. There are differences in the marketing we conduct for variety programs and for drama series. Normally, for variety programs, after matching program concepts with our corporate sponsors' highly defined marketing objectives, we select media platform for our programs. The demand for drama series, however, generally comes from media platforms directly. As such, our main responsibility is to prepare scripts based on their demand.

During the marketing process, we will undergo an internal approval process when a project moves beyond a conceptual stage. Our internally approved projects are generally those where we have reach a preliminary understanding with potential corporate sponsors and media platforms on the basic commercial terms of collaboration. We may enter into LOIs with corporate sponsors and/or media platforms to memorialize key commercial terms, and will enter into definitive contracts when the commercial terms are finalized. In some cases, due to the lengthy internal contract approval process that some of our customers undergo, we may begin to incur costs, making first payments to suppliers for production before the definitive contracts are signed if we have a high degree of confidence that the material terms have been agreed to and the contracts will be entered into eventually. The following paragraphs provide a detailed description of our marketing activities.

Corporate Sponsors

Variety Programs

Match Demands and Refine Concepts

Corporate sponsors of our variety programs are typically well-known consumer and retail brands that seek to promote their brand or market their products. Our marketing team keeps in close contact with a pool of key customers to understand their latest marketing objectives and budget requirements. Upon understanding our corporate sponsor client's goals and needs, we first conduct a search in our concept pool. Our dedicated marketing team assesses the marketability of program concepts based on extensive industry research, and selects high potential concepts for further development. In cases where our concept pool does not have a suitable concept, we hold internal brainstorming sessions with our content development team to create and develop several concept proposals for our corporate sponsors. In particular, when developing concept proposals, we seek to identify a program genre suitable for the traits of the product to be promoted. For example, we developed a food genre program

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for a leading distributor of food products in China who sought to promote a leading cooking oil brand; and developed a music program for Kugou Music who sought to promote its music application.

In our initial brainstorming meetings, we offer corporate sponsors a menu of program concepts, taking into their product brand, targeted demographics, suitable media platforms, among other things, which our corporate sponsors can mix and match to meet their needs. We also discuss details such as estimated costs, different program formats, different branding and sponsorship models and proposed celebrity list.

With the preliminary concept determined, we fine-tune the concept based on the corporate sponsor client's feedback and formulate a tentative implementation plan. In general, our tentative implementation plan includes the genre and theme of the show, main program flow, studio set design, proposed celebrities list, estimated costs, proposed media platform, proposed production and broadcasting schedule and samples of product placement advertisements. In particular, we will highlight the opportunities for our corporate sponsor client to market or promote its brand or products, such as product placement ideas, advertising slots, sponsorship opportunities and other elements of the program that can drive brand association and add value to our clients' brand reputation.

We present the tentative implementation plan in a second round of discussion with our corporate sponsors. Our content development team will revise the implementation plan according to their feedback and any additional requirements. In particular, if our corporate sponsors have specific requirements on celebrity appearances, we will reach out to them through talent coordinators on their availability and estimated fees on behalf of our corporate sponsors.

Other Potential Advertisers

Generally, we look for other potential advertisers for our programs throughout the entire marketing stage. For our variety programs, we seek to secure the other advertisers for the program approximately one to three months prior to commencing production.

Drama Series

For our drama series, leveraging on our strong relationships with well-known consumer and retail brands, we generally reach out to them for potential advertising opportunities in the drama series before production. Typically, these brands sponsor our drama series by placing products placement advertising in the programs.

Media Platforms

Variety Programs

Generally, as we refine the program concept, we also begin to approach media platforms, normally TV networks. We may recommend media platforms to our corporate sponsors based on our understanding of the different demographics and characteristics of the media platform and its suitability for our program. We negotiate with TV networks on commercial terms, including the time slots, advertising requirements and revenue sharing mechanism, and TV networks provide us with a resource package which contains the time slot that we can use and their broadcast schedule for our negotiation with corporate sponsors.

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Drama Series

Match Demands and Refine Concepts

Our drama series are produced based on the requirements of media platforms, including TV networks and online video platforms. Media platforms will often specify the type of program they are seeking, such as youth series or period dramas, which we will seek to match with the pool of concepts that we have developed.

Prepare Scripts

With an understanding of the media platforms' demands, we submit a proposal containing the background and summary of the storyline for review. We would then retain a team of screenwriters to prepare drama series outlines. The outlines generally contain principal characters, storylines and major scenes. After several rounds of discussion with clients, we prepare draft scripts of up to ten episodes based on the agreed outlines for their review. With their approval, we instruct our screenwriters to prepare full script of the drama series. In some cases, we capitalize on the copyrights that we own. We may choose to adapt a novel into a screenplay when we believe that its theme can fulfill certain media platforms' demands. For example, our made-for-internet drama series, "Beijing Drifters' Love Story," was adapted from an urban novel named "Sunset in Tiantongyuan," whose intellectual property rights are owned by us. Concurrently, we also discuss with media platforms regarding detailed information of the program, such as estimated investment amount, proposed celebrity list and tentative release schedule.

Communications with Regulatory Authorities

To ensure that our programs can be successfully released on schedule, we have established a regulatory risk management committee to review the content of each program. Pursuant to PRC laws and regulations, major made-for-internet programs (including drama series with investments over RMB5 million and movies with investments over RMB1 million) can only be produced if it has been registered (備案) with the NRTA. For a TV drama series, production companies have to register the script with the NRTA and obtain the Production License for TV Drama Series (電視劇製作許可證) from the NRTA before commencing production. Normally, we are responsible for the registration and approval process for drama series. For variety programs, no registration or approval is required before production and media platforms are generally responsible for the broadcast registrations.

Production (2-4 months for variety programs; 4-10 months for drama series)

In general, after several rounds of negotiations, we will reach a preliminary understanding on certain key commercial terms with corporate sponsors and/or media platforms. On that basis, we will move beyond concept stage and reach out to suppliers to commence program development work. In general, we assign in-house producers, project coordinators and directors to manage and oversee the entire program production process and to ensure that our programs are high quality and efficiently produced. We engage specialized third parties for a wide range of responsibilities, such as lighting, choreography, studio set design, talent coordination, editing, sound, music and other post-production work. Talent coordinators are responsible for identifying and negotiating with the performing artists that meet our requirements. Generally, we start filming the programs after definitive contracts with media platforms are signed. Definitive contracts with corporate sponsors may be negotiated until

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shortly before the program is broadcast. During the program production process, our directors give directions to the entire production crew and oversee the artistic and technical elements of program production, in order to translate our concepts or screenplays into a completed program. Moreover, our directors also ensure that we can fulfill all contract obligations to the advertisers in the programs. Our producers or project coordinators, who have a deep understanding of our concepts and the main themes of the programs, are responsible for overseeing the work of third-party production crews. Our clients and the media platforms also monitor the program production process and provide us with feedback on site.

Distribution (Generally one episode per week for variety programs; generally two episodes per day for drama series)

Delivery of Master Tape

Normally, the delivery schedule is mutually agreed by the media platforms and us. Historically, we delivered the master tape of our variety programs on a rolling basis to the media platform. The remaining episodes of the season are produced and delivered to the media platform on a rolling basis after the first episode airs. In some cases, we also deliver all master tapes in a single batch before broadcasting. For drama series, we generally deliver all tapes in a single batch before broadcasting. Since 2019, we increasingly delivered the master tape of all episodes of our programs in a single batch, as was the case in April 2019 for “Hello! Interviewer” (seasons 5-7). This is primarily due to our internal program production scheduling and resource allocation measures, which are increasingly important as we grow our pipeline. In the case of “Hello! Interviewer” (seasons 5-7), we sought to complete the program in the first half of the year when we had fewer programs under production due to the seasonal nature of our business. Moreover, we have obtained bank and other borrowings, banking facilities and proceeds from Pre-IPO Investments to support our liquidity requirements. As a result, we are capable of producing all episodes of some of our programs and deliver the master tape in a single batch.

Pursuant to PRC laws and regulations, a Distribution License for Domestic TV Drama Series (國產電視劇發行許可證) is necessary for a TV drama series to be broadcast and distributed. We generally are responsible for obtaining such licenses for our TV drama series.

Responsibility for promotional activities are generally shared between the media platforms and ourselves. Generally, online video platforms market and advertise our programs on their platforms by placing the advertisement of our programs on their home pages and as pre-film advertisements. TV networks will broadcast commercials for our programs before release dates. To promote our programs, we hold offline events such as fans meet ups and campus visits. We also promote our programs on various social media platforms. For example, to promote “Hello! Interviewer,” we uploaded the edited clips of the show on social media platforms such as Douyin. From time to time, we also engage third-party marketing companies to carry out promotional activities.

We, our corporate sponsors and media platforms jointly monitor the performance of our programs as they air. In particular, for our variety programs, based on feedback from our corporate sponsors and TV networks, as well as viewership data and other feedback from viewers, we may adjust the show content, storyline, and shooting and editing method for the remaining episodes to maximize value for our corporate sponsors.

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During the Track Record Period, we did not experience any material delays in releasing our programs.

SALES AND CONTRACTS

Historically, we primarily developed variety programs for TV networks. In addition, we have a small but growing portfolio of made-for-internet movies and drama series. In our industry, the commercial terms of each deal may vary substantially based on negotiations even though the scope of our contracts are similar.

TV Programs

Variety Programs

We generally enter into two types of contracts to generate revenue on variety programs developed for TV networks. The first is an advertising agreement entered into with an advertising agent who represents the corporate sponsor. The second is a production and distribution agreement with the TV network on which our program is to be released, under which we would be responsible for producing and distributing the program. The following is a summary of the key terms of these agreements.

Advertising Agreements with Advertising Agents

- *Scope of service.* We generally provide corporate sponsor clients comprehensive advertising solutions, which primarily include: (i) product placement advertising within the program (i.e. physical placement, host-read advertisements, special thanks at the end of programs); and (ii) commercials during attractive TV advertising slots (i.e. those immediately after a program segment pauses for commercial break, and those immediately before the next segment begins). We may also authorize corporate sponsors to use the program materials such as video of celebrities and promotional video for its offline marketing activities.
- *Pricing and payment.* We generally charge our corporate sponsor clients a lump sum fee for television advertisements in the entire season of the program. The price is determined based on the extent and frequency of which the sponsor's brand appears in the program. Payments are generally made in installments. Generally the first payment is due shortly after contract signing and the last payment is due after the release of all the episodes.
- *Intellectual property rights ownership.* In general, the intellectual property rights attached to our program belong to us, and corporate sponsor clients retain any concepts and materials they provide. For the intellectual property rights ownership of our programs released during the Track Record Period, see "— Intellectual Property."
- *Breach of contract.* Corporate sponsor clients' TV commercials will be re-broadcast twice if it fails to be broadcast due to our fault, and will be re-broadcast once if due to our mistake with respect to the version, date, time slot, order, and content of the TV commercials.
- *Exclusivity.* We agree not to advertise products that compete with those of our corporate sponsor clients during the term of the agreement.

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- *Termination.* The agreements are generally terminated automatically when the broadcast of the program is completed. In general, either party can terminate the agreement if the other party breaches contract terms. In some cases, advertising agents can terminate the agreements if our program flow and celebrity lists change substantially and we cannot offer any alternative plans or compensation, or if the broadcast schedules are substantially delayed.

Production and Distribution Agreements with TV Networks

- *Production and distribution service.* Typically, we enter into agreements with TV networks to produce and distribute the TV programs that we have developed.
- *Time slot purchase.* We sometimes pay a time slot purchase fee to TV networks. The time slot purchase fees were primarily designated for TV commercials in relation to the TV program.
- *Payment terms.* Payments are generally made in installments. Payment milestones vary significant from deal to deal. In many deals, milestones are based on the number of episodes released. Occasionally, our right to receive payments from the TV networks is linked to their receipt of payment from advertisers.
- *Intellectual property rights ownership.* Intellectual property rights ownership vary from deal to deal. Generally, intellectual property rights are jointly-owned by TV networks and us. In some cases, we license the broadcasting rights for a program to the TV network while in other cases, the TV networks own the broadcasting rights. Any income generated from intellectual property rights is allocated based on the respective ownership interest.
- *Revenue sharing.* The revenue sharing arrangement with TV networks may vary significantly from program to program depending on the results of commercial negotiations. Our agreements with TV networks may set out the revenue sharing arrangement for sales of derivative products and copyright licensing with TV networks. In some cases where TV networks participate in the sale of derivative products, we may share 20% to 40% of the revenue generated from sales of derivative products with TV networks. With respect to any revenue from copyright licensing in the future, we may share with TV networks under the percentage as to 30% and 70%. Typically, we share the advertising revenue with the TV networks, and such revenue is either determined and settled after the program is broadcast or included in the fees for production and distribution we receive for the relevant program.
- *Termination.* The agreements are generally terminated automatically when the broadcast of the program is completed. In some cases, TV networks are entitled to terminate the agreements if our programs do not meet the contractual requirements. We sometimes can terminate the agreements if the TV networks cannot obtain the necessary broadcast licenses or the programs cannot be broadcast due to regulatory reasons.

Our commercial arrangements with TV networks vary from program to program, depending on the results of negotiations. Although we generally produce and distribute the program we develop, on some occasions, TV networks, apart from being our customers, also participate in the production and

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distribution of the program and is one of our suppliers. “Hey! Let’s Sing” (season 1) had a set of commercial terms that was unique to that deal. In that deal, we engaged the TV network to produce and distribute the program, and we also paid a time slot purchase fee. After deducting advertising agency fees, the TV network should pay to us the remaining advertising revenue for this program. In addition, as part of the deal, we sold a majority interest in the intellectual property rights associated with “Hey! Let’s Sing” for a lump sum, and retained a minority ownership in these rights. For details of the intellectual property rights ownership for “Hey! Let’s Sing”, see “— Intellectual Property.” We will also share any revenue derived from the program for five years based on our respective ownership percentages. For our “Hello Food” (seasons 1 and 2), we engaged the TV network that distributed the program for talent coordination and post-production editing and paid them a lump sum fee, and we provided program production and distribution services to it for the same program.

Contracts with Online Video Platforms

We sometimes sell our TV programs to online video platforms for a fixed fee after they are released on TV networks.

Made-for-internet Programs

We generally enter into two types of agreements for made-for-internet programs. The first is an advertising agreement entered into with advertising agents who represent our corporate sponsors which is similar with the advertising agreements for TV programs. See “— TV Programs — Variety Programs — Advertising Agreements with Advertising Agents.” However, advertising agreements on made-for-internet programs generally only relate to product placement advertising as revenue from online commercials generally belong to the online video platforms. The second is a collaboration agreement with the online video platform under which the platform agrees to pay us a fee for release of the program. Our fee is generally in the form of revenue sharing, and is determined based on (i) the number of views; and (ii) allocation of advertisement revenue (we are entitled to 50% to 70% of the revenue). Fees are generally paid following the agreed schedules in the contracts, which may be settled on a quarterly basis or by milestones. In general, agreements can be terminated by mutual consent. In one instance, the online video platform had the right to terminate the agreement at any time.

OUR CUSTOMERS

During the Track Record Period, our customers generally included (i) TV networks and online video platforms that engage us to produce and distribute programs; (ii) advertising agencies that represent the corporate sponsors seeking to promote their products and services through product placements or TV commercials. In addition, in 2018, one of our major customers was Kugou Music, which entered into a licensing and co-producing agreement with us for “Hey! Let’s Sing.” For details of our agreements with customers, see “— Sales and Contracts.” Our credit term with customers was generally 30 days to 90 days from the date of billing during the Track Record Period. However, the actual settlement periods for TV networks may be substantially longer in practice, which, according to the F&S Report, is not uncommon among suppliers to TV networks in China. Despite the foregoing, we believe that working mostly with leading and high quality TV networks in China lowers our exposure to the risk of default.

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The following table sets forth details of our five largest customers during the Track Record Period:

<u>Customer</u>	<u>Transaction amount</u>	<u>% of total revenue</u>	<u>Credit terms (based on relevant contract(s))</u>	<u>Commencement of business relationship</u>	<u>Primary services provided</u>	<u>Customer background</u>
	(RMB in thousands)		(Months)			
<i>Year ended December 31, 2016</i>						
Customer A	59,071	46.2	6-12	2014	Program production and distribution	A TV network broadcast from Hefei, Anhui Province
Customer B	52,314	40.9	6-12	2015	Advertising	A Shanghai-based company principally engaged in marketing and advertising
Customer C	8,774	6.9	3-6	2016	Advertising	A subsidiary of a Beijing-based company principally engaged in advertising
Customer D	5,660	4.4	3-6	2016	Advertising	A Nanjing-based company principally engaged in advertising
Customer E	804	0.6	3-6	2016	Advertising	A Shanghai-based company principally engaged in advertising
Total	126,623	99.0				
<i>Year ended December 31, 2017</i>						
Customer A	73,208	45.6	6-12	2014	Program production and distribution	A TV network broadcast from Hefei, Anhui Province
Customer F	28,302	17.6	6-12	2017	Advertising	A Shanghai-based company principally engaged in marketing and advertising
Customer B	17,752	11.1	6-12	2015	Advertising	A Shanghai-based company principally engaged in marketing and advertising
Customer G	11,792	7.4	3-6	2016	Sales of intellectual property rights and program production and distribution	A Beijing-based company principally engaged in video content investment, program promotion and marketing services

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<u>Customer</u>	<u>Transaction amount</u> (RMB in thousands)	<u>% of total revenue</u>	<u>Credit terms (based on relevant contract(s))</u> (Months)	<u>Commencement of business relationship</u>	<u>Primary services provided</u>	<u>Customer background</u>
Customer H	8,255	5.1	6-12	2017	Program production and distribution	The operator of a TV network broadcast from Shenzhen, Guangdong Province
Total	<u>139,309</u>	<u>86.8</u>				
<i>Year ended December 31, 2018</i>						
Customer I	141,509	50.0	6-12	2018	Program production and distribution	A Guangzhou-based company principally engaged in digital music services
Customer H	79,088	28.0	6-12	2017	Program production and distribution	The operator of a TV network broadcast from Shenzhen, Guangdong Province
Customer J	27,224	9.6	6-12	2018	Program production and distribution	The operator of a TV network broadcast from Nanjing, Jiangsu Province
Customer K	9,434	3.3	3-6	2018	Licensing of intellectual property rights	A Beijing-based company principally engaged in video- content-related business
Customer L	8,255	2.9	3-6	2017	Advertising	A Beijing-based company principally engaged in marketing and advertising
Total	<u>265,510</u>	<u>93.8</u>				
<i>Eight months ended August 31, 2019</i>						
Customer H	90,252	40.5	6-12	2017	Program production and distribution	The operator of a TV network broadcast from Shenzhen, Guangdong Province
Customer J	58,641	26.3	6-12	2018	Program production and distribution	The operator of a TV network broadcast from Nanjing, Jiangsu Province
Customer M	42,453	19.1	6-12	2019	Program production and distribution	The operator of a TV network broadcast from Shanghai, which also engaged in program production and advertising

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<u>Customer</u>	<u>Transaction amount</u> (RMB in thousands)	<u>% of total revenue</u>	<u>Credit terms</u> (based on relevant contract(s)) (Months)	<u>Commencement of business relationship</u>	<u>Primary services provided</u>	<u>Customer background</u>
Customer N	17,453	7.8	3-6	2019	Program investment	A Zhejiang-based company principally engaged in video content production
Customer B	11,792	5.3	6-12	2015	Advertising	A Shanghai-based company principally engaged in marketing and advertising
Total	<u>220,591</u>	<u>99.0</u>				

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

In each year or period during the Track Record Period, we released a limited number of programs. Among our five TV variety programs released during 2016 to 2018, three programs (“Hello Food”, “Super Show” and “Hey! Let’s Sing”) were released during weekend primetime slots of two satellite TV networks, namely Anhui Satellite TV and Jiangsu Satellite TV. As a result, we generated most of our revenue from a few major customers. We believe that this is common in our industry because, on the one hand, the number of weekend primetime slots is limited. These time slots are highly coveted by corporate sponsors, who are increasingly willing to invest in advertisements released during such time slots as evidenced by the rise in average revenue per program at a CAGR of 14.8% from RMB81.4 million in 2014 to RMB141.5 million in 2018. As corporate sponsors concentrate their advertising budget on a limited number of programs to ensure they can be released in highly coveted time slots, program producers tend to generate revenue from a smaller number of programs and corporate sponsors. On the other hand, because variety programs require significant initial investment, major variety program producers typically focus their resources on producing a limited number of high quality programs in highly coveted time slots in order to attract sponsorships and ensure the successful release of the program. The type and genre of programs developed by a video program producer may vary from year to year that may not match the needs of that particular media platform or corporate sponsor every year. As a result, it is common for independent variety program producers to rely on a limited number of programs and customers. In 2018, we released four programs, while only three of the top 20 independent variety program producers in China released more programs than us, with five or six programs released in the same year. The above factors are further discussed below:

- *Limited number of highly coveted time slots.* Weekend primetime slots on the Big Five satellite TV Network have steadily attracted some of the highest viewership ratings for TV variety programs. As a result, these time slots are highly coveted by corporate sponsors to maximize the effect of their advertisements. However, there are a fixed number of time slots available per year. 62 variety programs were released and approximately 65 variety programs are expected to be released in weekend primetime slots on the Big Five Satellite

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TV Networks in 2019 and 2020, respectively, according to the F&S Report, and 24 were produced or co-produced and approximately 25 are expected to be produced or co-produced by independent video program producers, respectively.

- *Increasing average revenue per program (ARPP).* The ARPP for variety programs has grown at a 14.8% CAGR from RMB81.4 million in 2014 to RMB141.5 million in 2018 and is expected to continue to increase to RMB215.4 million in 2023. This indicates that corporate sponsors are increasingly willing to invest in top programs that provide more effective advertising results, while other programs with fewer sponsorships will not be broadcast. This results in corporate sponsors concentrating their investment on fewer programs, and in turn, program producers like us will generate revenue from a smaller number of corporate sponsors;
- *Fragmented market with fierce competition.* The industry is highly fragmented with over 18,000 companies licensed to operate. The top 20 independent variety program producers in China held in aggregate 12.2% market share in 2018, with the largest holding not exceeding 3%. Competition for such a limited number of time slots is fierce.
- *Limited resources.* TV and made-for-internet programs require significant capital and time investment by program producers. Generally, program producers strategically focus their financial resources on producing a limited number of programs with high quality. Moreover, as the development, marketing, production and distribution of a program requires months, many program producers are capable of releasing only a limited number of programs each year. According to the F&S Report, in 2018, the largest independent variety program producer was able to release five variety programs, while remaining companies in the top 10 each released two to four variety shows. We released four programs in 2018.
- *Genre concentration.* Major program producers of TV variety programs tend to focus on programs of a single genre or a very limited number of genres based on their capabilities, resources and experience. For example, some focus on singing and dancing variety shows, some focus on talk shows while some others focus on comedy shows. Primetime slots for a certain genre of TV variety programs are thus further limited.
- *Industry norm.* A pattern of releasing a limited number of programs each year is observed in independent variety program producer in China. We released four programs in 2018. According to the F&S Report, the top 20 independent variety program producers each released between one to six programs in 2018, and only three of which released more than four programs in 2018.

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Moreover, it is common in the industry for program producers to rely on different major customers from year to year, primarily due to the constantly changing tastes and viewing preference of audience, which may in turn affect features of video content products to be launched and the media platforms. The program producers tend to approach different customers for corporate sponsorship, whose requirements for advertisements need to be matched with features of the relevant video content products. The above factors are further discussed below:

- Video content products are not commodities. Instead, these programs are original content that are developed based on constantly changing tastes and viewing preference of viewers and uniquely matched to meet the corporate sponsors' requirements on content, tone, style and target audience. It is common for program producers to have different corporate sponsors for the different programs it releases each year.
- Because variety programs produced by independent variety program producers are generally co-produced with a TV network or an online video platform, for commercial reasons, first broadcast of the program is typically limited to one media platform. Because a program producer releases a limited number of programs each year, it works with a limited number of media platforms. Because each program we produce is original and creative, it is common that the programs match the needs of different media platforms.
- According to the F&S Report, the typical life cycle of a variety program is approximately three years, during which multiple seasons of successful programs may be broadcast, but many variety programs are not extended after one season, resulting in changes in major customers of the program producers as different variety programs tend to have different corporate sponsors and be released on different media platforms; and
- According to the F&S Report, a number of video program producers in China, such as Beijing Changjiang Culture Co., Ltd. (北京長江文化股份有限公司) and TVZong Media Co., Ltd. (中廣天擇傳媒股份有限公司), have demonstrated similar patterns of serving different major customers from year to year, as program producers like us are engaged by customers on a project-by-project basis, and not on a recurring basis.

Notwithstanding the general industry practice described above, we believe that we have strong business prospects for the following reasons:

- We have a distinctive business model focusing on both content development and marketing. Instead of solely relying on media platforms to initiate a program and attract corporate sponsors, we initiate our programs, and independently and directly approach and attract corporate sponsors for our programs at the early stages of content development. We believe this is critical to the successful release of our program content and our operational and financial performance.
- Historically, a number of our programs are long running. Our first program, "Hello Food" (誰是你的菜) reached number one in ratings at its time slot only five weeks after it first aired, and was on the air for three years. Our "Hello! Interviewer" (你好! 面試官) is a long-running variety program that has been on the air since 2017, and we are in negotiations to release new seasons in 2020. After the successful first season of "Hey!

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Let's Sing” (嗨！唱起來), we have entered into definitive contracts for season 2 to be released in 2020, and are in negotiations for season 3 to be released in 2020. We believe this is a reflection of the audience reception of our programs, and the strong relationships that we have developed with media platforms and corporate sponsors. As a reflection of our historical success, our revenue and gross profit increased steadily, and we have achieved strong gross profit margins during the Track Record Period.

- Although the composition of our major customers varied during the Track Record Period, we worked with leading media platform in China. During the Track Record Period and up to the Latest Practicable Date, all of our programs were aired on leading TV networks in China, including Jiangsu Satellite TV, Anhui Satellite TV and Shenzhen Satellite TV, as well as leading online video platforms, including iQIYI, Tencent Video and Sohu Video. We seek to continue to strengthen our business relationship with leading media platforms. As of the Latest Practicable Date, 10 of the 11 TV programs we plan to release in 2020 are expected to be released on a Big Five Satellite TV Network.
- A significant number of our pipeline programs are expected to be on weekend primetime, which we believe is critical to our ability to attract sponsorships and in turn, the successful broadcast of the program. As of the Latest Practicable Date, five of the 11 TV programs we plan to release in 2020 are expected to be released at weekend primetime slots.

OUR SUPPLIERS

During the Track Record Period, our suppliers generally included (i) production crews; (ii) TV networks and media platforms that provide us with time slots or post-production services; (iii) talent coordination companies; and (iv) marketing companies. We generally work with suppliers on a project basis and enter into contracts for each program setting out the scope of work, price, payment schedule and other commercial terms. Because (i) our roles and responsibilities vary from program to program depending on commercial negotiations with our customers (for example, with respect to production, editing, and marketing and promotional activities) and (ii) our programs have different features (for example, program genre, production location, customer's preference and level of celebrity appearance), the type of suppliers we engage and their scope of work depend on our needs for the particular program and may vary from program to program, which may result in our engagement of different major suppliers from year to year.

In the production of our programs, we engage specialized third parties for a wide range of responsibilities, such as lighting, choreography, studio set design, talent coordination, editing, sound, music and other post-production work. We assign in-house producers, project coordinators and directors to manage and oversee the entire program production process, our suppliers and to ensure that our programs are high quality and efficiently produced. Generally, payments under our agreements with suppliers are in two to four stages. The first payment is generally due shortly after signing; the final payment is generally at the time of program release. The percentage of payment for each stage may vary significantly depending on the supplier's responsibility, contract amount and negotiating power. One of the most significant supply agreements in terms of contract amount is often our agreement on talent coordination. Talent coordinators are responsible for identifying and negotiating with the performing artists that meet our requirements. Performing artists are paid by talent coordinators. We generally enter into contract for services to be provided by performing artists

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with talent coordination companies, rather than with the artists direct. In general, we require the talent coordinators to reimburse all of our costs occurred in relation to any misbehavior of the artists engaged. Talent coordination companies will generally be responsible for the costs and liabilities arising from any accident encountered by the artists during program production, except for those attributable to the Company, such as the failure to provide artists with reasonable safety measures. Nevertheless, the Company has arranged insurance coverage for such.

From time to time, we engage TV networks and media platforms for talent coordination and production of our programs, which we believe could improve the efficiency of program production. During the Track Record Period, we engaged Anhui Satellite TV for talent coordination and post-production editing of “Hello Food” (seasons 1 and 2) and Jiangsu Satellite TV to produce “Hey! Let’s Sing.” See “— Sales and Contracts — TV Programs — Variety Programs.” In some cases, pursuant to our agreements with TV networks, we also need to pay them a time slot purchase fee so that our programs can be broadcast during certain time slots. See “Financial Information — Description of Income Statement Line Items — Revenue.”

The following table sets forth details of our five largest suppliers during the Track Record Period:

<u>Supplier</u>	<u>Transaction amount</u> (RMB in thousands)	<u>% of total purchases</u>	<u>Credit terms (from the time when relevant program commenced production)</u> (Months)	<u>Commencement of business relationship</u>	<u>Primary services provided</u>	<u>Supplier background</u>
<i>Year ended</i>						
<i>December 31, 2016</i>						
Supplier A	24,500	24.8	3-6	2016	Talent coordination	A Shanghai-based company principally engaged in marketing and advertising
Supplier B	20,000	20.2	3-6	2016	Post-production marketing and promotion	A Beijing-based company principally engaged in video content investment, program promotion and marketing services
Supplier C	19,000	19.2	3-6	2014	Production work	A company listed on the National Equities Exchange and Quotations, principally engaged in video content production
Supplier D	18,638	18.9	3-6	2014	Production work and time slot	A TV network broadcast from Hefei, Anhui Province
Supplier E	3,518	3.6	3-6	2015	Marketing and promotion	A Beijing-based company principally engaged in marketing and advertising
Total	85,656	86.7				

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<u>Supplier</u>	<u>Transaction amount</u> (RMB in thousands)	<u>% of total purchases</u>	<u>Credit terms (from the time when relevant program commenced production)</u> (Months)	<u>Commencement of business relationship</u>	<u>Primary services provided</u>	<u>Supplier background</u>
<i>Year ended December 31, 2017</i>						
Supplier D	55,000	38.7	3-6	2014	Post-production work; talent coordination and time slot	A TV network broadcast from Hefei, Anhui Province
Supplier C	19,000	13.4	3-6	2014	Production work	A company listed on the National Equities Exchange and Quotations, principally engaged in video content production
Supplier F	8,100	5.7	3-6	2017	Production work and talent coordination	A Beijing-based company principally engaged in video content production, marketing and advertising
Supplier G	6,000	4.2	3-6	2017	Production work	A Horgos-based company principally engaged in video content production
Supplier H	5,774	4.0	3-6	2017	Talent coordination	A Beijing-based company principally engaged in advertising
Total	93,874	66.0				
<i>Year ended December 31, 2018</i>						
Supplier I	119,000	47.8	6-12	2018	Production work and time slot	The owner of a TV network broadcast from Nanjing, Jiangsu Province
Supplier J	16,500	6.6	3-6	2017	Production work	A Beijing-based company principally engaged in video content production and advertising
Supplier K	13,540	5.4	3-6	2016	Production work	A Beijing-based company principally engaged in advertising
Supplier L	11,802	4.7	3-6	2018	Post-production work	A Beijing-based company principally engaged in video content production
Supplier M	10,000	4.1	3-6	2018	Production work	A Shanghai-based company principally engaged in advertising
Total	170,842	68.6				
<i>Eight months ended August 31, 2019</i>						
Supplier N	71,000	26.2	3-6	2018	Production work	A Beijing-based company principally engaged in marketing and advertising
Supplier O	45,000	16.6	3-6	2017	Production work	A Shanghai-based company principally engaged in cultural and artistic exchange planning consultation

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<u>Supplier</u>	<u>Transaction amount</u> (RMB in thousands)	<u>% of total purchases</u>	<u>Credit terms (from the time when relevant program commenced production)</u> (Months)	<u>Commencement of business relationship</u>	<u>Primary services provided</u>	<u>Supplier background</u>
Supplier P	39,870	14.7	3-6	2019	Production work	A Shanghai-based company principally engaged in video content production
Supplier Q	38,649	14.3	3-6	2019	Production work	A Zhejiang-based company principally engaged in video content production
Supplier I	27,000	10.0	6-12	2018	Production work	The owner of a TV network broadcast from Nanjing, Jiangsu Province
Total	<u>221,519</u>	<u>81.8</u>				

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period.

CUSTOMER/SUPPLIER OVERLAP

Due to the nature of our business, some of our largest customers or suppliers during the Track Record Period were also our suppliers or customers, respectively, during the same period. Detailed information of such instances are set forth below.

Customer A/Supplier D. Customer A/Supplier D is a leading Satellite TV Network in China. In 2016 and 2017, Customer A/Supplier D engaged us to produce and distribute “Hello Food”. In the same years, considering that Customer A/Supplier D, as a TV network, has more bargaining power when negotiating with celebrities, we engaged it for talent coordination and because its own production team was more familiar with the broadcasting standards of the TV network, we engaged it for post-production editing. In 2016 and 2017, our revenue generated from Customer A/Supplier D amounted to RMB59.1 million and RMB73.2 million, respectively. In the same years, our procurement from Customer A/Supplier D amounted to RMB18.6 million and RMB55.0 million, respectively.

Customer B. Customer B primarily engages in marketing and advertising. During the Track Record Period, Customer B acted as an advertising agent for our corporate sponsors in several programs, such as “Hello Food”, “Hello Interviewer”, and “Super Show”. In 2016, Customer B was our supplier because we engaged it for the marketing and promotion of “Hello Food”. During the Track Record Period, Customer B was the advertising agent for a number of important corporate sponsors that contributed to a significant proportion of our revenue. In 2016, when we were producing our first program, “Hello Food”, in order to increase the influence of the program and to increase the investment returns for the corporate sponsors, Customer B provided us with marketing and promotion services with their own resources. In 2016, 2017, 2018 and the eight months ended August 31, 2019,

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our revenue generated from Customer B amounted to RMB52.3 million, RMB17.8 million, RMB2.4 million and RMB11.8 million, respectively. In 2016, we recognized cost of sales from Customer B of RMB0.3 million, which was in relation to the marketing and promotion services we procured from them in 2016.

Customer G/Supplier B. Customer G/Supplier B primarily engages in the video content investment, program promotion and marketing business. In 2017, we sold intellectual property rights, such as “Li Lei and Han Meimei” (李雷和韓梅梅), to Customer G/Supplier B and provided program production and distribution services with respect to “Five Watches” (五隻手錶), “The Murderer is Not Far Away” (走不遠的兇手) and “Li Lei and Han Meimei” (李雷和韓梅梅) to it. In 2016, Customer G/Supplier B was our supplier because we procured post-production services, such as editing, audio effects and subtitles, as well as offline marketing and promotion services including developing marketing plans and preparing marketing materials, for the season 2 of “Hello Food” from it. After our cooperation with this customer for “Hello Food” season 2 and as a reflection of our strong cooperative relationship, Customer G/Supplier B engaged us to produce the programs in 2017. In 2017, our revenue generated from Customer G/Supplier B amounted to RMB11.8 million. In 2016, our procurement from Customer G/Supplier B amounted to RMB20.0 million.

Customer J/Supplier I. Customer J/Supplier I is the operator of a leading Satellite TV Network in China. In 2018, it made payments to us for the TV commercials we sold in relation to “Hey! Let’s Sing”. In 2019, we also generated revenue by licensing the broadcasting right of “To Infinity and Beyond” to it. In 2018 and the eight months ended August 31, 2019, Customer J was also a supplier because we engaged it to produce “Hey! Let’s Sing” and “Our Bands” (Hey! Let’s Sing 2) and purchased time slot from it. As “Hey! Let’s Sing” was our first program with Customer J/Supplier I, to establish a strong business relationship with this customer, after we were engaged to develop this program, we decided to outsource the production work to this customer and share advertising revenue with it. In 2018 and the eight months ended August 31, 2019, our revenue generated from Customer J/Supplier I amounted to RMB27.2 million and RMB58.6 million respectively. In 2018 and the eight months ended August 31, 2019, our procurement from Customer J/Supplier I amounted to RMB119.0 million and RMB27.0 million, respectively.

Customer K. Customer K primarily engages in video-content-related business. In 2018, we licensed intellectual property rights for “Hey! Let’s Sing” to Customer K for a one-year period. It was our supplier for the eight months ended August 31, 2019 because we engaged Customer K to produce “Our Bands” (Hey! Let’s Sing 2). During our cooperation with respect to “Hey! Let’s Sing”, Customer K provided insightful advice on how we can further upgrade the program concept, and we decided to engage it to produce “Our Bands” (Hey! Let’s Sing 2) to better apply their advice for our program. In 2018, our revenue generated from Customer K amounted to RMB9.4 million. For the eight months ended August 31, 2019, our procurement from Customer K amounted to RMB5.0 million.

Customer N. Customer N primarily engages in video content production. In the eight months ended August 31, 2019, it was our customer because we generated revenue from our investment in “Renascence.” During the same period, it was our supplier because we invested in “Renascence.” Our revenue generated from Customer N amounted to RMB17.5 million for the eight months ended August 31, 2019. For the same period, we made payments to Customer N in the amount of RMB14.2 million.

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Our Directors confirm that the transactions with overlapping customers and suppliers were on normal commercial terms, because (a) we are knowledgeable of the industry and are experienced in identifying whether the commercial term is in line with market practice; (b) with respect to supplier engagement, we generally conduct negotiations with a number of suppliers as part of our supplier selection process and we will compare the commercial terms of supplier candidates in making the selection; and (c) with respect to transactions with customers, the commercial terms are heavily negotiated and customers may be in negotiations with our competitors, which ensures that the commercial terms are normal and in line with market practice. Our Directors further confirm, and Frost & Sullivan concurs, that the terms of these transactions were in line with industry norm. In general, main participants in the video content industry engage in a wide range of video content-related business activities. For example, TV networks are capable of producing and broadcasting programs, and marketing and promotion companies not only act as an advertising agent for corporate sponsors but also provide marketing and promotion services for the programs. Therefore, when a video program producer outsources a part of its work, it may sometimes engage companies which was its customer in another program, or even in the same program.

MARKETING AND PRICING

Marketing Activities and Team

Our marketing activities are primarily planned and carried out by our marketing team, which had 23 employees as of the Latest Practicable Date. The main responsibility of our marketing team is to keep in close contact with key account customers to understand their latest marketing objectives and budget requirements. At an early stage of development, our dedicated marketing team assesses the marketability of program concepts based on extensive industry research, and selects high potential concepts for further development.

Pricing

Variety Programs

Our revenue is primarily derived from two sources: TV networks and corporate sponsor clients. For TV networks, list price for TV commercials at any particular time slot for a particular TV network is generally fixed. Therefore, the amount of the total advertising revenue relating to any particular program to be shown in a particular time slot is fairly transparent. Our fees relating to a program depend primarily on the estimated total advertising revenue of the TV network relating to such program, our estimated costs and our target gross margin. Similarly, sponsorship fees are based on the relevant parties' understanding of the market rate for such fees based on the time slots and TV networks. Negotiation on any particular deal will depend on factors such as the level of exposure the sponsor's products or brands receive in the program.

Made-for-internet Programs

Our income relating to made-for-internet programs is generally in the form of revenue sharing based on the number of views. Going forward, to ensure profitability, we will seek to increasingly negotiate for either a lump sum fee or a combination of minimum guarantee and revenue sharing based on the number of views.

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To the best knowledge of the Directors and as confirmed by our PRC Legal Advisers, as of the Latest Practicable Date, there were no PRC laws or regulations that impose a cap on the distribution prices of TV programs and made-for-internet programs. For details of our pricing policy for advertisements and sponsorships, see “— Sales and Contracts.”

SEASONALITY

The TV program development, production and distribution industry is subject to significant seasonality, with relatively few original programming in the first quarter of a calendar year because of the large number of Chinese New Year galas produced by CCTV and various provincial satellite TV stations. The level of TV program development, production and distribution activities increases in the second quarter and continues into the second half of the calendar year. For details, see “Financial Information — Key Factors Affecting Our Results of Operations — Seasonality.”

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business and are committed to their development and protection. As of the Latest Practicable Date, we owned (i) 14 registered trademarks (including nine registered in mainland China and five registered in Hong Kong); (ii) 10 registered copyrights in China; (iii) 12 software copyrights in China and (iv) 11 domain names, including sinozsw.com, in China.

The intellectual property rights ownership for each season of each program may vary depending on results from commercial negotiations with our business partners. Details of intellectual property ownership related to our programs released during the Track Record Period are summarized below:

- “*Hello Food*.”
 - Season 1. We exclusively own the intellectual property rights of this program. We out-licensed the TV broadcasting rights to the TV network that broadcasts this program in the PRC.
 - Season 2. We and the TV network that broadcasts this program jointly own the copyrights of this program (including the broadcasting rights).
 - Season 3. We and the TV network that broadcasts this program jointly own the intellectual property rights of this program. We out-licensed the exclusive TV broadcasting rights to the TV network in the PRC.
- “*Super Show*.” We and the TV network that broadcasts this program jointly own the (i) TV broadcasting rights; (ii) internet broadcasting rights; and (iii) derivative rights. Except for the abovementioned rights, we exclusively own all of the other types of copyrights in relation to this program.
- “*Chef in the House*.” We and the TV network that broadcasts this program jointly own the intellectual property rights of this program. The TV network that broadcasts this program holds the exclusive TV broadcasting rights for this program in the PRC.
- “*Fall of a KOL*” Series (namely, *Fall of a KOL*, *Fall of a KOL Series — Apt. #71*, *Fall of a KOL Series — Invisible Lover parts I and II*). We exclusively own the copyrights of this program.

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- “*Hello Interviewer.*”
 - Season 1. We exclusively own the intellectual property rights of this program. We out-licensed the exclusive TV broadcasting rights to the TV network that broadcasts this program in the PRC.
 - Season 2-4. We and the TV network that broadcasts the program jointly own the intellectual property rights of this program (including the broadcasting rights). The TV network owns the right of authorship for this program.
 - Season 5-7. We exclusively own the copyrights of the program. The TV network that broadcasts the program owns the right of authorship and the broadcasting rights in the PRC.
- *Season 1 of “Hey! Let’s Sing.”* We and Kugou Music jointly own the intellectual property rights of the program. The TV network that broadcasts this program owns the broadcasting rights in the PRC.
- *Season 1 of “Beijing Drifters’ Love Story.”* We exclusively own the intellectual property rights of this program.
- “*Time & Tree Hollows 1.0.*” We exclusively own the copyrights of this program.

In order to safeguard our intellectual property rights, we have entered into agreements with the production crews involved in our program production, which set out that intellectual property rights generated in the provision of services to us shall be retained by us. We also regularly monitor our intellectual property rights and require TV networks and media platforms to implement adequate digital rights management technologies to protect the intellectual property of our programs.

QUALITY CONTROL

Due to the nature of our business, we do not have a separate quality control team. We adopt a project responsibility system to require the content production department to hold overall responsibility over the quality of our programs. We internally evaluate our performance in carrying out our services and the program as a whole, which enables us to control the quality of future projects in a similar nature. Our content production department is led by Ms. Cheng Cang, who has over five years of experience in media and content development. During the Track Record Period, we have not experienced any material complaints or disputes in relation to service or program quality from our customers.

RESEARCH AND DEVELOPMENT

For our industry, our research and development activities are relatively limited and primarily consist of developing new program concepts for our concept pool. Our content development team conducts significant market research on the latest and most popular shows and analyzes developments in viewer preferences to identify changes in market trends. Each member of our content development team is required to conceive two original program concepts per month, which will be discussed and considered internally. Many of these concepts will become a part of our concept pool and we will actively consider whether the concepts are applicable or suitable for any of our existing or potential clients.

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Our content development team consisted of 43 employees as of the Latest Practicable Date, and is led by Ms. Chen Jia, who has approximately 10 years of experience in the film and television industry.

LICENSES AND PERMITS

Businesses that conduct television program production and distribution in the PRC are required to hold and maintain the License for Production and Distribution of Radio or Television Programs. For more details, see “Regulatory Overview — Regulations in Relation to Production and Distribution of Radio and Television Programs.” Set forth below are the key PRC permits we hold for our operations:

License	Issuing Authority	Holder	Date of issue	Date of expiration	Scope
License for Production and Distribution of Radio or Television Programs	Beijing Municipal Radio and Television Bureau (北京市廣播電視局, previously known as Beijing Administration of Press, Publication, Radio, Film and Television (北京市新聞出版廣播電局))	Zhongguang Yusheng	November 28, 2019	March 31, 2021	Animated films, feature films, television variety programs, but cannot produce radio and television programs such as political news or news of similar topic or special column
License for Production and Distribution of Radio or Television Programs	Shanghai Municipal Radio and Television Bureau (上海市廣播電視局)	Shanghai Yusheng	April 22, 2019	April 21, 2021	Production and distribution of radio and television programs (excluding political news or news of similar topic or special column)
License for Production and Distribution of Radio or Television Programs	Administration of Radio and Television of Zhejiang Province (浙江省廣播電視局)	Dongyang Qianyxing	April 1, 2019	March 31, 2021	Production and distribution of radio and television programs (excluding political news or news of similar topic or special column)
License for Production and Distribution of Radio or Television Programs	Administration of Radio and Television of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區廣播電視局)	Yili Zhongsheng	April 1, 2019	March 31, 2021	Production and distribution of radio and television programs (excluding political news or news of similar topic or special column)

AWARDS AND RECOGNITIONS

The table below sets forth our major awards received during the Track Record Period:

Year	Awards	Issuing authority
2019	2018-2019 China's Most Creative Program (2018-2019年度中國最具創新力節目) (for Hey! Let's Sing)	Organization Committee of Macau International Advertising Festival
2019	2018-2019 China's Most Creative Marketing (2018-2019年度中國最具創新營銷獎) (for Hey! Let's Sing)	Organization Committee of Macau International Advertising Festival

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Year	Awards	Issuing authority
2018	Annual Cutting-edge Program Production Organization (年度新銳節目製作機構)	NRTA and China Radio Film and TV Magazine
2018	Annual Excellent Program of Production Organization (年度製作機構優秀節目) (for Hey! Let's Sing)	NRTA and China Radio Film and TV Magazine
2017	Annual Outstanding Program Production Organization (年度優秀節目製作機構)	SAPPRFT and China Radio Film and TV Magazine
2017	Most Commercially Valuable Program (年度最具商業價值節目) (for Chef in the House)	SAPPRFT and China Radio Film and TV Magazine
2016	Most Commercially Valuable Content Operation Organization (年度最具商業價值內容運營機構)	SAPPRFT and China Radio Film and TV Magazine
2016	Annual Creative Program (年度最具創意節目) (for Hello Food)	SAPPRFT and China Radio Film and TV Magazine

COMPETITION

The variety program market in China is highly competitive and fragmented. We primarily compete with domestic PRC independent producers of variety programs on the basis of content development capabilities, program quality, customer network, track record and reputation, among other things. In 2018, the top 20 independent producers of variety programs held an aggregate of 12.2% share of the variety program market with a total revenue from variety programs of approximately RMB5,987.7 million. According to the F&S Report, based on 2018 revenue, we were the 8th largest independent producer of variety programs in China. See “Industry Overview.”

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Our business does not involve significant health, work safety and environmental matters, other than being in compliance with applicable PRC laws and regulations. During the Track Record Period, our PRC Legal Advisers have advised that we did not experience any material occupational, health and safety and environmental incidents and were in compliance with relevant laws and regulations in all material respects.

EMPLOYEES

As of the Latest Practicable Date, we had 84 full-time employees, all of whom were based in China. The following table sets forth the number of our employees by function as of the Latest Practicable Date:

	Number of employees	% of total
Content development	43	51.2
Marketing	23	27.4
Administrative and human resources	9	10.7
Finance and capital raising	5	5.9
Management and support	4	4.8
Total	84	100.0

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We recruit our personnel through professional search firms, recruiting websites and job fairs. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

We have a labor union that protects our employees' rights, assists us in attaining our economic objectives and encourages employees to participate in management decisions. During the Track Record Period, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. In line with industry practices in China, we have elected not to maintain certain types of insurances, such as business interruption insurance or key man insurance. See "Risk Factors — Risks Relating to Our Operations — Our insurance coverage is limited and does not cover all business risks." Our Directors consider that our existing insurance coverage is sufficient for our present operations and in line with industry practices in China.

PROPERTIES

Our headquarters is located in Beijing. As of the Latest Practicable Date, we did not have any owned properties and had leased eight properties with an aggregate gross floor area of approximately 2,217.2 square meters from Independent Third Parties. Our leased properties are used as our office premises and the lease agreements of which have expiration dates ranging from February 2020 to April 2024.

As of the Latest Practicable Date, the lessor of one of our leased properties, with a total gross floor area of 520 square meters, had not provided us with a valid title certificate or relevant authorization documents evidencing its rights to lease the property to us. As a result, this lease may not be valid, and there are risks that we may not be able to continue to use such property. We believe that in the event that the relevant rightful title holder or other third parties challenge our use of such leased property and we are required to move, we can find suitable alternative properties within the same region, without having a material adverse effect on our business, financial condition and results of operations.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, none of our lease agreements had been registered. Our PRC Legal Advisers have advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws but the lessors and we as lessee could be liable to a fine ranging from RMB1,000 to RMB10,000 in respect of each lease agreement. The estimated total maximum penalty is RMB80,000. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the unregistered lease agreements.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Prospectus is exempted from compliance

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with the requirements of section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all of our Group's interests in land or buildings, for the reason that, as of August 31, 2019, we had no single property with a carrying amount of 15% or more of our total assets.

COMPLIANCE AND LEGAL PROCEEDINGS

We may be involved in legal proceedings in the ordinary course of business from time to time. During the Track Record Period, neither we nor any of our Directors were involved in any litigation, arbitration or administrative proceedings which could have a material adverse impact on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or our Directors which may have a material and adverse impact on our business, financial condition or results of operations.

As advised by our PRC Legal Advisers, during the Track Record Period and as of the Latest Practicable Date, we had complied with the relevant PRC laws and regulations in all material respects.

INTERNAL CONTROL AND RISK MANAGEMENT

We are subject to various risks during our operations, see “Risk Factors — Risks Relating to Our Operations.” We have established a risk management system and relevant policies and procedures which we consider suitable for our business operations. Our policies and procedures are aimed at managing and monitoring our business performance.

To monitor the continuous implementation of risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members: Mr. Victor Huang, chairman of the committee, Mr. Chen Kai and Ms. Ran Hua. For the qualifications and experiences of these members, see “Directors and Senior Management;”
- adopt various policies to ensure the compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure;
- provide regular anti-corruption and anti-bribery compliance training for senior management and employees in order to enhance their knowledge of and compliance of applicable laws and regulations; and
- arrange our Directors and senior management to attend training seminars on Listing Rules requirements and the responsibilities as directors of a Hong Kong-listed company.

We have appointed an internal control consultant to review the effectiveness of the design and implementation of our internal control measures related to our major business processes, to identify the deficiencies for improvement, advise on the rectification measures and review the implementation of such measures. As advised by our internal control consultant, we have substantially implemented

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the remediation measures recommended by our internal control consultant with no internal control deficiencies identified by the internal control consultant in connection with those enhanced internal control measures during its follow-up visit. We intend to fully implement the remaining recommendations made by our internal control consultant prior to the Listing.

Anti-corruption and Anti-bribery Measures

In order to comply with applicable anti-corruption and anti-bribery laws and regulations of the PRC, we have formulated and implemented an anti-corruption and anti-bribery policy. Highlights of key anti-corruption and anti-bribery measures include the following:

- we provide anti-fraud and ethics training to our new employees and distribute our anti-corruption and anti-bribery policy to all employees through employee handbooks and announcements;
- we have established a committee consisting of our management team to identify improper conduct of our employees and monitor inter-department activities. The primary duties of the committee include providing anti-corruption and anti-bribery compliance advice, investigating potential corruption or fraudulent incidents, and initiating anti-fraud promotional activities with our Group; and
- we have a whistleblowing and complaint handling process through written submissions, telephone or email, and we will conduct investigations for any suspected cases of bribery, corruption or other related misconduct or fraudulent activities. In cases where misconduct is found, we may take disciplinary actions as appropriate, report to the relevant regulatory authorities and/or initiate legal actions to recover any losses suffered by us as a result of such misconduct.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with PRC laws and regulations relating to anti-corruption, and had not been subject to any administrative penalties or investigations from any regulatory authorities in respect of such activities.

Anti-money Laundering Measures

In order to comply with the relevant PRC laws and regulations for the prevention of money laundering, we have formulated and implemented an anti-money laundering policy (the “AML Policy”). Highlights of our AML Policy include the following key measures:

- members of our senior management and finance department are responsible for anti-money laundering matters. Their main duties are to formulate our anti-money laundering policy, conduct review of our anti-money laundering procedure, report any suspected money laundering incidents to government authorities, and assess our anti-money laundering risks arising from our business operations, including our projects and our customers;
- we provide our employees with regular anti-money laundering training, during which we introduce our Company’s anti-money laundering procedures and keep abreast of the latest laws and regulations relating to anti-money laundering; and

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- if we have reasonable grounds to suspect that our customers is engaging in money laundering activities, we may suspend or terminate our business relationship with that customer and promptly report to the PBOC as required under PRC laws and regulations.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with PRC laws and regulations relating to anti-money laundering, and had not been subject to any administrative penalties or investigations from any regulatory authorities in respect of such activities.

CONTRACTUAL ARRANGEMENTS

Background

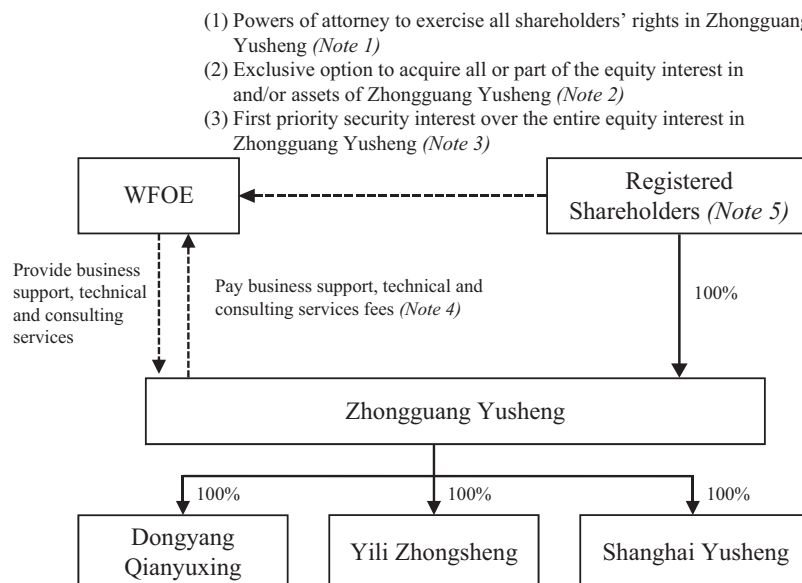
We conduct the business of production and distribution of radio and television programs in the PRC through our PRC Operating Entities, the principal business activities of each of which are production, distribution and operation and release of TV programs and made-for-internet programs. Some of our intellectual property rights, including copyrights and trademarks, are also held by the PRC Operating Entities. Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting business of production and distribution of radio and television programs, including made-for-internet programs, regardless of whether they possess relevant prior experience and a proven track record of business operations overseas. Please refer to the section headed “Regulatory Overview — Regulations in Relation to Production and Distribution of Radio and Television Programs” for further details. To comply with the relevant PRC laws and regulations, our business is directly conducted by the PRC Operating Entities. As a result, on July 15, 2019, we entered into the Contractual Arrangements through which we are able to exercise control over and derive the economic benefits from our PRC Operating Entities and consolidated their results of operations into those of our Group. The Contractual Arrangements have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

The existing agreements underlying such contractual arrangements with Zhongguang Yusheng and the Registered Shareholders include: (i) exclusive business collaboration agreement, (ii) exclusive option agreement, (iii) equity pledge agreement, (iv) shareholders’ rights proxy agreement and (v) spouse undertaking. Pursuant to the Contractual Arrangements, all substantial and material business decisions of the PRC Operating Entities will be instructed and supervised by our Group through WFOE, and all risks arising from the business of the PRC Operating Entities are also effectively borne by our Group as a result of such PRC Operating Entities being treated as our wholly-owned subsidiaries. Accordingly, our Directors consider that it is fair and reasonable for WFOE to be entitled to all economic benefits generated by the business operated by the PRC Operating Entities through the Contractual Arrangements as a whole.

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Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Entities to our Group stipulated under the Contractual Arrangements:



- (1) Please refer to “Contractual Arrangements — Shareholders’ Rights Proxy Agreement” of this section for details.
- (2) Please refer to “Contractual Arrangements — Exclusive Option Agreement” of this section for details.
- (3) Please refer to “Contractual Arrangements — Equity Pledge Agreement” of this section for details.
- (4) Please refer to “Contractual Arrangements — Exclusive Business Collaboration Agreement” of this section for details.
- (5) The Registered Shareholders are the following persons who together hold the 100% equity interest of Zhongguang Yusheng:

<u>Shareholders</u>	<u>Registered Capital (RMB)</u>	<u>Approximate percentage of shareholding</u>
Mr. Liu	4,761,114	79.56%
Chen Dazhi	459,539	7.68%
Mubi No.2	250,000	4.18%
Jiaxing Datai	166,700	2.79%
Beijing Xingwen	97,824	1.63%
Xin Dong Neng	81,038	1.35%
Ren Feng	66,640	1.11%
Chen Kai	43,291	0.72%
Wu Yeheng	29,347	0.49%
Ma Zihui	16,660	0.28%
Li Zhanrong	7,337	0.12%
Qin Weilun	4,891	0.08%
Total	<u>5,984,381</u>	<u>100%</u>

Mr. Liu is an executive Director, our chief executive officer and a Controlling Shareholder. Mr. Chen Kai is a non-executive Director. Save for Mr. Liu and Mr. Chen Kai, the Registered Shareholders are all Independent Third Parties.

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Each of the Registered Shareholders is interested in a certain amount of the Shares indirectly through either the offshore holding company he/she/its shareholders own(s) or nominee. For more details, please refer to the section headed "History, Reorganization and Corporate Structure."

- (6) "————>" denotes direct legal and beneficial ownership in the equity interest
"----->" denotes contractual relationship.

Exclusive Business Collaboration Agreement

Zhongguang Yusheng and WFOE entered into the an exclusive business collaboration agreement on July 15, 2019 (the "**Exclusive Business Collaboration Agreement**"), pursuant to which Zhongguang Yusheng agreed to engage WFOE as its exclusive provider of technical support, consultation and other services, including:

- (a) to provide technical support and professional training of relevant personnel;
- (b) to assist in consulting, collecting and researching technical and market information related to the main business;
- (c) to provide business management consulting services;
- (d) to provide marketing and promotion services;
- (e) to provide customer order management and customer service and assist in maintaining relationships with customers;
- (f) to license the use of relevant intellectual property rights; and
- (g) other relevant services reasonably requested by WFOE from time to time that are permitted by PRC laws.

Pursuant to the Exclusive Business Collaboration Agreement, the service fee shall be equivalent to the total consolidated profit of Zhongguang Yusheng, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, WFOE shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of the PRC Operating Entities and send the service fee payment notification to Zhongguang Yusheng within 40 days after each fiscal year end for the services provided in the preceding fiscal year. Zhongguang Yusheng has agreed to pay the service fee within 30 days after receiving WFOE's notification.

In addition, pursuant to the Exclusive Business Collaboration Agreement, without the prior written approval from WFOE, Zhongguang Yusheng shall not, and shall procure the other PRC Operating Entities not to, accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Business Collaboration Agreement with any third party.

The Exclusive Business Collaboration Agreement also provides that, (i) all intellectual property rights developed or created during the performance of the Exclusive Business Collaboration Agreement belong to WFOE, (ii) WFOE is entitled to authorize the PRC Operating Entities to use the intellectual property rights, and (iii) WFOE is authorized to use all existing intellectual property rights created by Zhongguang Yusheng and the PRC Operating Entities before execution of the Exclusive Business Collaboration Agreement for free.

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Our Directors consider that the above arrangement will ensure the economic benefits generated from the operations of the PRC Operating Entities will flow to WFOE and hence, our Group as a whole.

The Exclusive Business Collaboration Agreement shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Collaboration Agreement; (b) in writing by WFOE; or (c) all the equity interest or assets of Zhongguang Yusheng has been legally transferred to WFOE or the nominee(s) designated by WFOE. WFOE shall always have the rights to terminate this agreement by giving a prior written notice of termination 30 days in advance.

Exclusive Option Agreement

WFOE, Zhongguang Yusheng and the Registered Shareholders entered into an exclusive option agreement on July 15, 2019 (the “**Exclusive Option Agreement**”), pursuant to which the Registered Shareholders jointly and severally granted irrevocably and unconditionally to WFOE the rights to require the Registered Shareholders to transfer any or all their equity interests in Zhongguang Yusheng and/or to require Zhongguang Yusheng to transfer all of its assets to WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. The Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to WFOE any consideration they receive in the event that WFOE exercises the options under the Exclusive Option Agreement to acquire the equity interests and/or assets in Zhongguang Yusheng.

Pursuant to the Exclusive Option Agreement, Zhongguang Yusheng undertakes, and the Registered Shareholders undertakes to procure Zhongguang Yusheng, to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

- (i) without the prior written consent of WFOE, Zhongguang Yusheng shall not in any manner supplement, change or amend its business scope or constitutional documents, or increase or decrease its registered capital or change the structure of its registered capital in other manner;
- (ii) Zhongguang Yusheng shall prudently and effectively operate its business and transactions in accordance with the good financial and business standards;
- (iii) without the prior written consent of WFOE, the PRC Operating Entities shall not sell, transfer, gift, create encumbrances, pledge or dispose of in any manner any assets, business, legal or beneficial interest of its income or allow any security interest to be created on its assets;
- (iv) Zhongguang Yusheng shall not incur, inherit, guarantee or assume any debt save for those required in the ordinary course of business or having been disclosed to and consented by WFOE in writing;
- (v) without the prior written consent of WFOE, the PRC Operating Entities shall not enter into any material contracts with a value above RMB1 million, except the contracts executed in the ordinary course of business;

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- (vi) Zhongguang Yusheng shall operate its business within its principal business scope without amending the principal business scope of itself and other PRC Operating Entities, and shall not participate in any transaction or conduct any act that will adversely affects its business or assets value;
- (vii) Zhongguang Yusheng shall immediately notify WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the PRC Operating Entities' assets, business or revenue and take all necessary measures as reasonably requested by WFOE;
- (viii) Zhongguang Yusheng shall not terminate or procure the management team to terminate any of the Contractual Agreements entered into with WFOE, or enter into any agreements that conflict with the Contractual Agreements;
- (ix) the PRC Operating Entities shall provide information on their labor, business operations and financial condition to WFOE or its designated person upon WFOE's request;
- (x) when necessary, the PRC Operating Entities shall procure and maintain insurances in respect of the PRC Operating Entities' assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- (xi) without the prior written consent of WFOE, Zhongguang Yusheng shall not spin-off, merge, enter into joint operation agreements with other entities, acquire or be acquired by other entities, or invest in any entities;
- (xii) Zhongguang Yusheng shall sign all necessary and appropriate documents, take all necessary and proper acts, bring up all necessary and proper requests, or provide necessary and proper defenses against claims to maintain the PRC Operating Entities' ownership for all their assets;
- (xiii) if the Registered Shareholders or Zhongguang Yusheng fail(s) to perform the tax obligations under applicable laws and results in obstacles for WFOE to exercise its exclusive option right, WFOE may request Zhongguang Yusheng or the Registered Shareholders to perform the tax obligations or pay the amount equivalent thereto to WFOE;
- (xiv) without the prior written consent of WFOE, unless otherwise mandatorily required by PRC laws, Zhongguang Yusheng shall not be dissolved or liquidated;
- (xv) without the prior written consent of WFOE, the PRC Operating Entities shall not provide any person with any loan or guarantee for any third-party debt; and
- (xvi) without the prior written consent of WFOE, Zhongguang Yusheng shall not in any manner distribute any bonus, dividend, distributable profit and/or assets and other income derived from the equity interests held by the Registered Shareholders to the Registered Shareholders.

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In addition, the Registered Shareholders, among other things, have covenanted that:

- (i) without the written consent of WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Zhongguang Yusheng, or allow the encumbrance thereon of any security interest, except for the equity pledge prescribed in the Equity Pledge Agreement;
- (ii) without the written consent of WFOE, they shall not approve and vote in favor of the shareholders' resolution of Zhongguang Yusheng to approve any sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Zhongguang Yusheng, or allow the encumbrance thereon of any security interest;
- (iii) immediately notify WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the PRC Operating Entities' assets or equity interest except for those arising from ordinary business;
- (iv) they shall approve and vote in favor of the shareholders' resolutions of Zhongguang Yusheng concerning the transfer of equity interest pursuant to the Exclusive Option Agreement; and
- (v) without the written consent of WFOE, they shall procure Zhongguang Yusheng not in any matter to distribute any bonus, dividend, distributable profit and/or assets and other income derived from the equity interests held by the Registered Shareholders to the Registered Shareholders.

The Exclusive Option Agreement commenced on July 15, 2019 being the date of the agreement, until it is terminated (i) in writing by all parties, or (ii) upon the transfer of the entire equity interests held by the Registered Shareholders and/or the transfer of all the assets of Zhongguang Yusheng to WFOE or its designated person. Nonetheless, WFOE shall always have the rights to terminate this agreement by giving a prior written notice of termination 30 days in advance.

Equity Pledge Agreement

WFOE, Zhongguang Yusheng and the Registered Shareholders entered into an equity pledge agreement on July 15, 2019 (the “**Equity Pledge Agreement**”), pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Zhongguang Yusheng to WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

Under the Equity Pledge Agreement, the Registered Shareholders represent and warrant to WFOE that appropriate arrangements have been made to protect WFOE's interests in the event of death, bankruptcy, divorce or other circumstances regarding the Registered Shareholders which may affect the exercise of its/his/her direct or indirect equity interest in Zhongguang Yusheng, of the Registered Shareholders to avoid any practical difficulties in enforcing the Equity Pledge Agreement. If Zhongguang Yusheng declares any dividend during the term of the pledge, WFOE is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If any of the Registered Shareholders or Zhongguang Yusheng breaches or fails to fulfill the obligations under the agreements underlying the Contractual Arrangements (other than the Spouse

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Undertaking), WFOE, as the pledgee, has the priority to be indemnified from the proceeds from the disposal of pledged equity interests. In addition, pursuant to the Equity Pledge Agreement, each of the Registered Shareholders and Zhongguang Yusheng has undertaken to WFOE, among other things, not to increase or reduce the registered capital of Zhongguang Yusheng, transfer the interest in his/her/its equity interests in Zhongguang Yusheng or create or allow any pledge thereon that may affect the rights and interest of WFOE without its prior written consent;

The Equity Pledge Agreement takes effect upon the execution date and shall remain valid until (i) all the obligations under the Contractual Arrangements (other than the Equity Pledge Agreement) have been fulfilled; (ii) each of the Registered Shareholders has transferred his equity interests in Zhongguang Yusheng in accordance with the Exclusive Option Agreement; (iii) Zhongguang Yusheng has transferred all of its assets in accordance with the Exclusive Option Agreement; (iv) all the agreements underlying the Contractual Arrangements (other than the Equity Pledge Agreement) have been terminated; and (v) the Equity Pledge Agreement has been unilaterally terminated by WFOE.

The registration of the pledge of equity interests as required by the relevant laws and regulations has been completed in accordance with the terms of the Equity Pledge Agreement and PRC laws and regulations.

Shareholders' Rights Proxy Agreement

Each of Zhongguang Yusheng, the Registered Shareholders and WFOE entered into an shareholders' rights proxy agreement (the "**Shareholders' Rights Proxy Agreement**") on July 15, 2019, pursuant to which, each Registered Shareholder irrevocably, unconditionally and exclusively appoints WFOE or its designated person, as his attorney-in-fact to exercise such shareholder's rights in Zhongguang Yusheng, including without limitation to, the rights to (i) propose to convene, participate in and attend the general meetings of Zhongguang Yusheng on behalf of the Registered Shareholders, receive any notices on the convening and proceedings of the general meetings and sign the minutes and resolutions of the meetings, exercise voting rights on all matters that require discussion and resolution of the general meetings (including but not limited to the designation, appointment or replacement of directors, legal representatives, supervisors and senior management of Zhongguang Yusheng), and sign any documents that require signature from the Registered Shareholders and submit any documents for filing purposes to the company registration authority on behalf of the Registered Shareholders; (ii) authorize or resolve on the disposal of assets of Zhongguang Yusheng on behalf of the Registered Shareholders; (iii) resolve on the dissolution and liquidation of Zhongguang Yusheng on behalf of the Registered Shareholders, and form a liquidation group on behalf of the Registered Shareholders and exercise the authority of the liquidation group during the liquidation period according to applicable laws; (iv) decide to transfer or otherwise dispose of the equity interests of Zhongguang Yusheng held by the Registered Shareholders and, for the purposes of the foregoing, sign all required documents and perform all required procedures on behalf of the Registered Shareholders; (v) exercise other shareholder's rights as specified in other applicable PRC laws and regulations and the articles of association of Zhongguang Yusheng (and its amendments from time to time).

The Shareholders' Rights Proxy Agreement has an indefinite term and will be terminated in the event that all the equity interest or assets has been legally and effectively transferred to WFOE in

CONTRACTUAL ARRANGEMENTS

accordance with the Exclusive Option Agreement. Nonetheless, WFOE shall always have the rights to terminate this agreement by giving a prior written notice of termination 30 days in advance.

Confirmations from the Registered Shareholders

Each of the Registered Shareholders undertakes to WFOE that, in the event of death, divorce, bankruptcy, liquidation or other circumstances regarding the Registered Shareholders which may affect the exercise of its/his/her direct or indirect equity interest in Zhongguang Yusheng, the Registered Shareholder's successor, liquidator, debtor and any other person/entity which may as a result of the above events obtain the equity interest or relevant rights directly or indirectly shall not prejudice or hinder the enforcement of the Contractual Arrangements.

Spouse undertaking

The spouse of each of the Registered Shareholders, where appropriate, has signed an undertaking (the “**Spouse Undertaking**”) to the effect that:

- (i) the equity interests of Zhongguang Yusheng held and to be held by each of the Registered Shareholders (together with any other interests therein) do not fall within the scope of communal properties;
- (ii) the spouse irrevocably and unconditionally abandons any right or interest over the equity interests of Zhongguang Yusheng held by his/her spouse that he/she might be granted according to any applicable law, and undertakes that he/she will not take any claim relating to such equity interests;
- (iii) the rights and obligations under the Contractual Arrangements do not apply to the spouse. The performance, amendment or termination of the Contractual Arrangements or the signing of other documents to replace the Contractual Arrangements by the Registered Shareholders does not require consent from the spouse; and
- (iv) in the event that the spouse obtains any equity interests in Zhongguang Yusheng, he/she will be subject to and abide by the terms of the Contractual Arrangements as if he/she was a signing party to such Contractual Arrangements, and at the request of WFOE, she will sign any documents in the form and substance consistent with the Contractual Arrangements.

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of our Zhongguang Yusheng or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding

CONTRACTUAL ARRANGEMENTS

up of Zhongguang Yusheng; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Zhongguang Yusheng are located for interim remedies or injunctive relief.

However, our PRC Legal Advisers have advised that an arbitral tribunal normally would not grant such kind of injunctive relief or order the winding up of our PRC Operating Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. As a result of the above, in the event that Zhongguang Yusheng or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner. Please refer to the section headed “Risk Factors — Risks Relating to Our Contractual Arrangements” for further details.

Conflict of Interest

The Shareholders’ Rights Proxy Agreement provides that, in order to avoid potential conflicts of interest, where the Registered Shareholders are directors or personnel of our Company, the power of attorney is granted in favor of other unrelated directors or personnel of our Company. And any director or personnel of our Company who are related to the Registered Shareholders shall not participate in the decisions in relation to the Contractual Arrangements.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company and WFOE is legally required to share the losses of, or provide financial support to, our PRC Operating Entities. Further, our PRC Operating Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. WFOE intends to continuously provide to or assist our PRC Operating Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through our PRC Operating Entities, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if our PRC Operating Entities suffer losses.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the Registered Shareholders and Zhongguang Yusheng have hereby irrevocably undertaken that, in compliance with the PRC laws, Zhongguang Yusheng shall transfer all remaining asset to WFOE or its designated person, at the lowest price as permitted by the PRC laws, after deduction of payments of liquidate expenses, staff salaries, social security fee, statutory compensation, and outstanding taxes and settlement of other debts. Zhongguang Yusheng shall waive any payment obligation of WFOE or its designated person arising thereon to the extent permitted by then applicable laws of the PRC in force. The Registered Shareholders shall return WFOE or its designated person any income (if any) arising from such transaction to the extent permitted by then applicable laws of the PRC in force.

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Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our business through our PRC Operating Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisers are of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that:

- i. WFOE, Zhongguang Yusheng and each of the Registered Shareholders and their spouses (if applicable) are legally established and validly subsisting entities or natural persons with full civil capacity. The aforesaid persons have qualifications and capabilities to enter into the Contractual Arrangements and have obtained necessary internal approval and authorization for the execution and performance of the Contractual Arrangements. Each of the agreements under the Contractual Arrangements is as effective as if the Registered Shareholders are all natural persons;
- ii. The contents, execution and performance of the Contractual Arrangements do not violate the applicable PRC laws. There is no violation to the provisions of Article 52 under the PRC Contract Law (中華人民共和國合同法) including the provision of “covering illegal purposes in a legal form” that will invalidate the Contractual Arrangements; and
- iii. The contents, execution and performance of the Contractual Arrangements do not violate any provisions of the articles of association of WFOE, Zhongguang Yusheng or the Registered Shareholders that are entities.

On August 2, 2019, our PRC Legal Advisers conducted an interview with NRTA. NRTA orally confirmed that the Contractual Arrangements do not violate any applicable PRC laws and regulations.

We have been advised by our PRC Legal Advisers, however, that there is substantial uncertainty regarding the interpretation and application of current and future PRC laws. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC Legal Advisers. We have been further advised by our PRC Legal Advisers that if the PRC Government finds that the Contractual Arrangements do not comply with the PRC Government restrictions on foreign investment in the relevant business, we could be subject to penalties.

Based on the above analysis and advice from our PRC Legal Advisers, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and except for the relevant arbitration clauses as described in “— Dispute Resolution,” each of the agreements under the Contractual Arrangements is

CONTRACTUAL ARRANGEMENTS

enforceable under the PRC laws and regulations. Our PRC Legal Advisers are of the view that the NRTA and the personnel consulted in the interview are competent and authorized to interpret the relevant laws, regulations and rules of the PRC for the industry in which our Company operates its business and make the abovementioned oral confirmations.

We are aware of a Supreme People's Court ruling (the “**Supreme People's Court Ruling**”) made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission (上海國際經濟貿易仲裁委員會) made in 2010 and 2012 which invalidated certain contractual agreements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against “concealing an illegitimate purpose under the guise of legitimate acts” set out in Article 52 of the PRC Contract Law (《中華人民共和國合同法》) and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual arrangements commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC and (ii) the incentive for the registered shareholders under such contractual arrangements to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisers are of the view that the relevant terms of the agreements under the Contractual Arrangements do not fall within the above five circumstances. In particular, our PRC Legal Advisers are of the view that the agreements under the Contractual Arrangements would not be deemed as “concealing illegal intentions with a lawful form” such that they also do not fall within circumstance (iv) above under Article 52 of the PRC Contract Law because the agreements under the Contractual Arrangements were not entered into for illegitimate purposes.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company upon the Global Offering, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed “Connected Transactions.”

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of our PRC Operating Entities

Under the Exclusive Business Collaboration Agreement, it was agreed that, in consideration of the services provided by WFOE, Zhongguang Yusheng will pay service fees to WFOE. The service fees, subject to WFOE's adjustment, are equal to the entirety of the total consolidated profit of Zhongguang Yusheng (net of accumulated deficit of the PRC Operating Entities in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). WFOE may adjust the service fees based on the actual service scope and with reference to the operating conditions and expansion needs of the PRC Operating Entities. WFOE also has the right to periodically receive or inspect the accounts of Zhongguang

CONTRACTUAL ARRANGEMENTS

Yusheng. Accordingly, WFOE has the ability, at its sole discretion, to extract all of the economic benefit of Zhongguang Yusheng through the Exclusive Management Consultation Agreement.

In addition, under the Exclusive Business Collaboration Agreement and the Exclusive Option Agreement, WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our PRC Operating Entities as WFOE's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from our PRC Operating Entities, the Registered Shareholders must immediately pay or transfer such amount to WFOE.

As a result of these Contractual Arrangements, our Company has obtained control of our PRC Operating Entities through WFOE and, at our Company's sole discretion, can receive all of the economic interest returns generated by our PRC Operating Entities. Accordingly, our PRC Operating Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of our PRC Operating Entities into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of our PRC Operating Entities is disclosed in Note 1 to the Accountants' Report in Appendix I to this Prospectus. Pursuant to the Contractual Arrangements, Zhongguang Yusheng will pay service fee, which is equivalent to the total consolidated profit of Zhongguang Yusheng (net of accumulated deficit of the PRC Operating Entities in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld), to WFOE. Although one subsidiary of Zhongguang Yusheng is exempted from income taxes from October 1, 2016 to September 30, 2020, the taxpayers that are affected by the entering into of the Contractual Arrangements and the payment of service fee are Zhongguang Yusheng and WFOE, respectively, with the same applicable income tax rate of 25%. As a result of the payment of the service fees pursuant to the Contractual Arrangements by Zhongguang Yusheng to WFOE, WFOE will recognize the service income and incur additional income tax and output VAT while Zhongguang Yusheng will recognize the service cost which will decrease the income tax and obtain input VAT by corresponding amount. Therefore, the adoption of the Contractual Arrangements does not have any financial impact on the Group as if the Contractual Arrangements were adopted throughout the Track Record Period.

DEVELOPMENT IN LEGISLATION ON FOREIGN INVESTMENT IN MAINLAND CHINA

Background of the FIL

On March 15, 2019, the 2nd meeting of the 13th Standing Committee of the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "FIL") and will become effective on January 1, 2020. After the FIL comes into effect, the FIL will replace the law on Sino-Foreign Equity Joint Ventures (《中外合資經營企業法》), the law on Sino-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the law on Foreign-Capital Enterprises (《外資企業法》) to become the legal foundation for foreign Investment in the PRC. The FIL stipulates three forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment.

CONTRACTUAL ARRANGEMENTS

The Potential Impact of the FIL on the Contractual Arrangements

The FIL specifically stipulates three forms of foreign investment, namely, (a) establishment of a foreign invested enterprise in the PRC by a foreign investor, either individually or collectively with any other investor; (b) obtaining shares, equity interests, assets, interests or any other similar rights or interests of an enterprise in the PRC by a foreign investor; and (c) investment in any new construction project in the PRC by a foreign investor, either individually or collectively with any other investor.

The FIL does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisers, provided that no additional laws, administrative regulations, departmental rules or other regulatory documents on contractual arrangements has been issued and enacted, the coming into effect of the FIL will not, by itself, have any material adverse operational and financial impact on the legality and validity of the Company's Contractual Arrangements.

However, the FIL stipulates that foreign investment includes "foreign investors invest through any other methods under laws, administrative regulations or provisions prescribed by the State Council." Therefore, there remains uncertainty regarding whether future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, and then whether our Contractual Arrangements will be recognized as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Our Company will disclose, as soon as possible, updates of changes to the FIL that will materially and adversely affect our Company as and when occur.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (iv) Our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and our PRC Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Liu, through his wholly-owned offshore holding companies (namely Double K Limited and Blueberry Culture Limited), indirectly held approximately 61.91% of the total issued share capital of our Company. Mr. Liu and his wholly-owned offshore holding companies (namely Double K Limited and Blueberry Culture Limited) shall be regarded as our Controlling Shareholders.

Immediately following the completion of the Global Offering and the Capitalization Issue and the Global Offering (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme), Mr. Liu, through Double K Limited and Blueberry Culture Limited, will be entitled to exercise voting rights of 46.43% of the total issued share capital of our Company. Accordingly, Mr. Liu, Double K Limited and Blueberry Culture Limited will continue to be our Controlling Shareholders upon the Listing.

DELINEATION OF BUSINESS

Neither of our Controlling Shareholders, our Directors nor their respective close associates have any interest in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage conflicts of interest after the Listing. In particular, we will implement the following measures:

- as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided in the Articles of Association, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;
- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

protect the interests of our public Shareholders. For details of our independent non-executive Directors, please refer to the section headed “Directors and Senior Management — Board of Directors — Independent Non-Executive Directors”;

- in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors (including why business opportunities referred to it by our Controlling Shareholders were not taken up) either through its annual report or by way of announcements; and
- we have appointed Celestial Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors’ duties and corporate governance.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and his/its close associates after the Listing.

Management Independence

Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Although Mr. Liu is an executive Director and also a Controlling Shareholder, our management and operational decisions are made by all our executive Directors and senior management, all of whom are independent from Mr. Liu and have substantial experience in the industry in which we are engaged and/or in their respective fields of expertise. The balance of power and authority is ensured by the operation of the senior management and our Board. For more details, please refer to the section headed “Directors and Senior Management.”

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgment to the decision-making process of our Board.

The daily operation of our Group is carried out by an independent and experienced management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and carry out, our business operations independently. We have established our own organizational structure and each department is assigned to specific areas of responsibilities. We are also in possession of all necessary relevant licenses, approvals and certificates to carry on our business and we have sufficient operational capacity in term of capital and employees to operate and manage our business independently. We do not rely on our Controlling Shareholders or his/its close associates for our operations. We have independent access to suppliers and an independent management team (including our Directors and senior managements) other than Mr. Liu to handle our daily operational work. We have dedicated employees for our operations and management for human resources.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after the Listing.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company. The finance department is independent from our Controlling Shareholders. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, we believe we have been and are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Controlling Shareholders or his/its close associates.

As at the date of this Prospectus, there were no loans, advances or balances due to or from our Controlling Shareholders and his/its close associates which have not been fully settled, nor were there any pledges or guarantees provided by any of our Controlling Shareholders and his/its close associates on our Group's borrowing which have not been fully released or discharged.

There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders in favor of the Group or vice versa after the Listing.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and his/its close associates.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

Following the Listing, we will continue to have certain transactions that constitute continuing connected transactions under the Listing Rules. We set out below a summary of these connected transactions.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Company which will be exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. The ADR International Loan Agreement

ADR International Limited (“**ADR International**”) is a subsidiary of Resolutions International Limited, a company controlled by Mr. Yang Hong Ching Norris (“**Mr. Yang**”). Therefore, it is a connected person of our Company by virtue of being an associate of Mr. Yang, who was a non-executive Director in the last 12 months and in turn a connected person of our Company.

Loan Agreement

The Company and ADR International entered into a loan agreement (the “**ADR International Loan Agreement**”) on September 24, 2019, pursuant to which ADR International agreed to lend to the Company a loan of US\$600,000, which constitutes “financial assistance” under Rule 14A.24(4) of the Listing Rules. The Company shall repay any outstanding principal and any accrued but unpaid interest under the ADR International Loan Agreement on the expiry of its term. The term of the ADR International Loan Agreement is one year since its execution. Such term can be extended if (i) the Company sends a written application to ADR International one month in advance of the expiration date; (ii) ADR International approves such extension; and (iii) the Company and ADR International enter into an extension agreement in writing. The Company shall pay interest at the interest rate of 3.5% per annum, which shall be calculated since the date on which ADR International makes the payment.

Listing Rules Implications

The loan from ADR International will, upon the Listing, constitute an exempt continuing connected transaction. The Directors are of the view that this loan, being a form of financial assistance (as defined by the Listing Rules) provided by ADR International, is on normal commercial terms (or better to our Group) where no security over our Company's asset is granted in respect of such financial assistance, and in this regard, such transaction will constitute a fully exempt continuing connected transaction under Rule 14A.90 of the Listing Rules, namely financial assistance received by us from a connected person in the form of lending money to us on normal commercial terms (or on terms that are better to our Group) and not secured by our assets, and thus will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under the Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

2. The Eternal Financial Loan Agreement

Eternal Financial Investment (China) Limited (“**Eternal Financial**”) is indirectly wholly owned by Mr. Yang. Therefore, it is a connected person of our Company by virtue of being an associate of Mr. Yang.

Loan Agreement

The Company and Eternal Financial entered into a loan agreement (the “**Eternal Financial Loan Agreement**”) on September 24, 2019, pursuant to which Eternal Financial agreed to lend to the Company a loan of US\$3.6 million, which constitutes “financial assistance” under Rule 14A.24(4) of the Listing Rules. The Company shall repay any outstanding principal and any accrued but unpaid interest under the Eternal Financial Loan Agreement on or before the expiry of its term. The term of the Eternal Financial Loan Agreement is one year since its execution. Such term can be extended if (i) the Company sends a written application to Eternal Financial one month in advance of the expiration date; (ii) Eternal Financial approves such extension; and (iii) the Company and Eternal Financial enter into an extension agreement in writing. The Company shall pay interest at the interest rate of 3.5% per annum, which shall be calculated since the date on which Eternal Financial fully makes the payment of the loan.

Listing Rules Implications

The loan from Eternal Financial will, upon the Listing, constitute an exempt continuing connected transaction. The Directors are of the view that this loan, being a form of financial assistance (as defined by the Listing Rules) provided by Eternal Financial, is on normal commercial terms (or better to our Group) where no security over our Company’s asset is granted in respect of such financial assistance, and in this regard, such transaction will constitute a fully exempt continuing connected transaction under Rule 14A.90 of the Listing Rules, namely financial assistance received by us from a connected person in the form of lending money to us on normal commercial terms (or on terms that are better to our Group) and not secured by our assets, and thus will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under the Chapter 14A of the Listing Rules.

3. The City State Loan Agreement

City State Management Limited (“**City State**”) is wholly owned by Mr. Yang. Therefore, it is a connected person of our Company by virtue of being an associate of Mr. Yang.

Loan Agreement

The Company and City State entered into a loan agreement (the “**City State Loan Agreement**”) on September 24, 2019, pursuant to which City State agreed to lend to the Company a loan of US\$1.8 million, which constitutes “financial assistance” under Rule 14A.24(4) of the Listing Rules. The Company shall repay any outstanding principal and any accrued but unpaid interest under the City State Loan Agreement on or before the expiry of its term. The term of the City State Loan Agreement is one year since its execution. Such term can be extended if (i) the Company sends a written application to City State one month in advance of the expiration date; (ii) City State approves such extension; and (iii) the Company and City State enter into an extension agreement in writing. The

CONNECTED TRANSACTIONS

Company shall pay interest at the interest rate of 3.5% per annum, which shall be calculated since the date on which City State fully makes the payment of the loan.

Listing Rules Implications

The loan from City State will, upon the Listing, constitutes an exempt continuing connected transaction. The Directors are of the view that this loan, being a form of financial assistance (as defined by the Listing Rules) provided by City State, is on normal commercial terms (or better to our Group) where no security over our Company's asset is granted in respect of such financial assistance, and in this regard, such transaction will constitute a fully exempt continuing connected transaction under Rule 14A.90 of the Listing Rules, namely financial assistance received by us from a connected person in the form of lending money to us on normal commercial terms (or on terms that are better to our Group) and not secured by our assets, and thus will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under the Chapter 14A of the Listing Rules.

Our Company entered into the loan agreements above after taking into account that (i) the interest rate of each of the loans set out above, being 3.5% per annum, is relatively low compared with market interest rate of loan from banks and (ii) our Company can benefit from additional cash for the development and operation of our business.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background

As disclosed in the section headed "Contractual Arrangements" in this Prospectus, the production and distribution of radio and TV programs of the PRC Operating Entities constitute a business restricted to foreign investment in the PRC, therefore, we cannot directly acquire equity interests in the PRC Operating Entities. As a result, our Group has entered into a series of agreements narrowly tailored to provide our Group with control over the PRC Operating Entities and grant our Group the right to acquire interests of the PRC Operating Entities when and to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangements, our Group supervises and controls the business operations of and derives economic benefit from the PRC Operating Entities.

The Contractual Arrangements consist of five sets of agreements, namely Exclusive Business Collaboration Agreement, Exclusive Option Agreement, Equity Pledge Agreement, Shareholders' Rights Proxy Agreement and Spouse Undertaking. Please refer to the section headed "Contractual Arrangements" for further details.

CONNECTED TRANSACTIONS

Listing Rules implications

The table below sets out the connected persons of our Company involved in the Contractual Arrangements and the nature of their connections with our Group. As a result of such connections, each of Mr. Liu and Mr. Chen Kai is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

<u>Connected Persons</u>	<u>Connected Relationship</u>
Mr. Liu	an executive Director, chief executive officer and one of our Controlling Shareholders
Mr. Chen Kai	the non-executive Director

Director's View

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business operations, have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by the PRC Operating Entities and any member of our Group ("**New Intergroup Agreements**" and each of them, a "**New Intergroup Agreement**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent shareholders' approval requirements.

APPLICATION FOR WAIVER

Contractual Arrangements

Pursuant to Rule 14A.105 of the Listing Rules, our Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with (i) announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) the requirement of setting maximum aggregate annual value (i.e. an annual cap) for the fees payable to our Group under the Contractual Arrangements; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange, subject to the following conditions:

- (a) *No change without independent non-executive Directors' approval.* No changes to the Contractual Arrangements (including with respect to any fees payable to WFOE thereunder) will be made without the approval of the independent non-executive Directors.

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- (b) *No change without independent Shareholders' approval.* Save as described in paragraph (d) below, no changes to the agreements governing the Contractual Arrangements will be made without the approval of the independent Shareholders. Once the independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.
- (c) *Economic benefits flexibility.* The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Operating Entities through:
 - (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in Zhongguang Yusheng for nil consideration or minimum amount of consideration permitted by applicable PRC laws and regulations;
 - (ii) the business structure under which the revenue generated by the PRC Operating Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to WFOE under the Exclusive Business Collaboration Agreement; and
 - (iii) the Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Zhongguang Yusheng.
- (d) *Renewal and reproduction.* On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and Zhongguang Yusheng, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as the connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.
- (e) *Ongoing reporting and approvals.* Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:
 - (i) The Contractual Arrangements in place during each financial period will be disclosed in the annual reports and accounts of our Company in accordance with the relevant provisions of the Listing Rules.
 - (ii) The independent non-executive Directors will review the Contractual Arrangements annually and confirm in the annual reports and accounts of our Company for the

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relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by Zhongguang Yusheng to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and Zhongguang Yusheng during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and its Shareholders as a whole.

- (iii) The Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to the Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of the Directors and have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Zhongguang Yusheng to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," the PRC Operating Entities will be treated as the Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the PRC Operating Entities and their respective associates will be treated as connected persons of our Company (excluding for this purpose, the PRC Operating Entities), and transactions between these connected persons and our Group (including for this purpose, the PRC Operating Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- (v) The PRC Operating Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the PRC Operating Entities will provide the Group's management and the Company's auditor with full access to its relevant records for the purpose of the Company's auditor's review of the connected transactions.

In addition, we have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the requirements of (i) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules; (ii) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that the PRC Operating Entities will continue to be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the PRC Operating Entities and its associates will be treated as connected persons of our Company (excluding for this purpose, the PRC Operating Entities), and the transactions between these connected persons and our Group (including for this purpose, the PRC Operating Entities), other than those under the Contractual

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Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

Joint Sponsors' View

The Joint Sponsors have reviewed the relevant documents and information provided by our Group, have participated in the due diligence and discussion with the management and the PRC Legal Advisers and have obtained necessary representations and confirmations from our Company and the Directors.

The Joint Sponsors are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and its Shareholders as a whole. With respect to the term of the relevant Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of the PRC Operating Entities can be effectively controlled by WFOE, (ii) WFOE can obtain the economic benefits derived from the operation of the PRC Operating Entities, and (iii) any possible leakages of assets and values of the PRC Operating Entities can be prevented both on an uninterrupted basis.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for exercising other powers, functions and duties as conferred by our Articles. We have entered into service contracts with each of our executive Directors and letters of appointment with each of our non-executive Director and independent non-executive Directors.

The following table sets out information in respect of the members of our Board:

<u>Name</u>	<u>Age</u>	<u>Time of joining our Group</u>	<u>Date of appointment as a Director</u>	<u>Existing Position(s) in our Group</u>	<u>Roles and responsibilities</u>
Liu Mu (劉牧)	35	August 2015	May 28, 2019	executive Director, chairman of the Board, and chief executive officer	overseeing overall operation and management, strategic planning and major decision- making of our Group
Chen Jia (陳佳)	39	March 2018	August 7, 2019	executive Director and vice president	overseeing daily business operation, assisting in overall management of our Group and content development
Chen Kai (陳凱)	36	August 2019	August 7, 2019	non-executive Director	providing guidance and advice on the corporate and business strategies of our Group
Ran Hua (冉華)	58	August 2019	August 7, 2019	independent non-executive Director	supervising and providing independent advice to our Board
Victor Huang (黃偉德)	48	February 3, 2020	February 3, 2020	independent non-executive Director	supervising and providing independent advice to our Board

DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Time of joining our Group</u>	<u>Date of appointment as a Director</u>	<u>Existing Position(s) in our Group</u>	<u>Roles and responsibilities</u>
Zhang Yiwu (張頤武)	57	August 2019	August 7, 2019	independent non-executive Director	supervising and providing independent advice to our Board

Executive Directors

Mr. Liu Mu (劉牧), aged 35, was appointed as our Director on May 28, 2019 and re-designated as an executive Director of our Group on August 7, 2019. Mr. Liu is also the chairman of the Board and the chief executive officer of our Group, and is primarily responsible for overseeing overall operation and management, strategic planning and major decision-making of our Group. From August 2015 to July 2016, he served as a vice president at Zhongguang Yusheng, then as a director and president at Zhongguang Yusheng since July 2016 and was primarily responsible for the daily business operation and management, overall strategic planning and major decision-making of Zhongguang Yusheng. Mr. Liu is the sole director of each PRC Operating Entity.

Prior to joining our Group, Mr. Liu served as a brand director at Beijing Zhongguang Chuanhua Film and Television Culture Consulting Co., Ltd. (北京中廣傳華影視文化諮詢有限公司) from August 2009 to July 2015, during which time he was primarily responsible for overall brand management.

Mr. Liu obtained his bachelor's degree in instructional technology from Fuyang Normal University (阜陽師範大學) (previously known as Fuyang Normal College (阜陽師範學院)) in July 2006. He received his master's degree in communication from Wuhan University (武漢大學) in June 2012.

Ms. Chen Jia (陳佳), aged 39, was appointed as our executive Director on August 7, 2019. Ms. Chen is also the vice president of our Group, and is primarily responsible for overseeing daily business operation and assisting in overall management of our Group. She has been serving as the director of content development center at Zhongguang Yusheng since March 2018.

Prior to joining our Group, Ms. Chen served as a TV program director at CCTV (中國中央電視台) from April 2005 to April 2007. She worked at Jinhua Radio and Television Station (金華廣播電視台) from May 2007 to December 2013. She served as a screenwriter at Zhejiang TV (浙江電視台) from January 2014 to May 2015 and a director at Beijing Wanhe Huyu Culture Media Co., Ltd. (北京萬合互娛文化傳媒有限公司) from March 2017 to December 2017. Ms. Chen was the screenwriter of “Hand in Hand in Love Village” (牽手愛情村), a TV variety released on Zhejiang Satellite TV, and the producer of “Have You Eaten” (餵飯吃過咪), a made-for-internet variety released on Tencent Video.

Ms. Chen graduated from Zhejiang Radio and TV University (浙江廣播電視大學) in music in September 2001. She obtained her online bachelor's degree in radio and TV journalism from Nankai University (南開大學) in January 2012.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Chen Kai (陳凱), aged 36, was appointed as our non-executive Director of our Group on August 7, 2019. He is primarily responsible for providing guidance and advice on the corporate and business strategies of our Group.

From January 2008 to August 2009, Mr. Chen worked as a trader at Hua An Fund Management Co., Ltd. (華安基金管理有限公司), where he was primarily responsible for stock trading. He worked as a senior analyst and an associate from September 2009 to January 2011 and from January 2011 to March 2013, respectively, at Beijing Gaohua Securities Co., Ltd. (北京高華證券有限責任公司), where he was primarily responsible for stock trading and management and decision making of the trading department. Mr. Chen has been serving as an executive director and a general manager of Yingzhi Asset Management since April 2014.

Mr. Chen obtained his bachelor's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in June 2006.

Independent Non-executive Directors

Ms. Ran Hua (冉華), aged 58, was appointed as our independent non-executive Director of our Group on August 7, 2019. She is responsible for supervising and providing independent advice to our Board.

Ms. Ran has been working at Wuhan University (武漢大學) since July 1984 and has been serving successively as lecturer, associate professor and professor. Now she is the head of the department of radio and television of Wuhan University. She has been a vice president of the Audio-visual Communication Research Committee of Chinese Journalism Society (中國新聞史學會視聽傳播研究委員會) since December 2015.

Ms. Ran obtained her bachelor's degree in Chinese language and literature from Wuhan University in July 1984. She received her master's degree and doctorate degree in communication and journalism from Wuhan University in January 2003 and December 2006, respectively.

Mr. Victor Huang (黃偉德), aged 48, was appointed as our independent non-executive Director on February 3, 2020. Mr. Huang is responsible for providing independent advice to our Board.

Mr. Huang has over 27 years of experience in finance, accounting and transaction services. He joined PricewaterhouseCoopers in Hong Kong in January 1993 and became its partner in July 2005 and served this role up to June 2014. From July 2014 to August 2017, he served as partner at KPMG in Hong Kong. Mr. Huang has served as an independent non-executive director of LBX Pharmacy Chain Co., Ltd. (老百姓大藥房連鎖股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603883), and Trinity Limited (利邦控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 891), since February 2018 and December 2018, respectively. He has been an independent non-executive director of Qingdao Haier Biomedical Co., Ltd. (青島海爾生物醫療股份有限公司), a company listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange (stock code: 688139), since August 2018. He has been an independent non-executive director of Manpowergroup Greater China Limited (萬寶盛華大中華有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2180), since March 2019. He has been an independent non-

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executive director of Scholar Education Group (思考樂教育集團), a company listed on the Main Board of the Stock Exchange (stock code: 1769), since June 2019. He has also been an independent non-executive director of Topsports International Holdings Limited (滔博國際控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6110), since September 2019.

Mr. Huang obtained a bachelor's degree of arts in economics and business from University of California, Los Angeles in the United States in September 1992. He was admitted as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in June 1996. He was also certified as a qualified independent director of the Shanghai Stock Exchange in June 2018.

Mr. Huang was a director of Orient Spread Investment Limited (東翔投資有限公司), a company incorporated in Hong Kong which was solvent prior to its dissolution and was deregistered on February 24, 2006 pursuant to section 291AA of the then predecessor Companies Ordinance as it had ceased to conduct business. Mr. Huang confirmed that, as of the Latest Practicable Date, no claims have been made against him and he was not aware of any threatened or potential claims made against him and there are no outstanding claims and/or liabilities as a result of the dissolution of Orient Spread Investment Limited.

Mr. Zhang Yiwu (張頤武), aged 57, was appointed as our independent non-executive Director of our Group on August 7, 2019. He is responsible for supervising and providing independent advice to our Board.

Mr. Zhang has been working at Beijing University (北京大學) since July 1987 and served successively as lecturer and associate professor. Now he is a professor of literature department.

Mr. Zhang obtained his bachelor's and master's degrees in literature from Beijing University in July 1984 and July 1987 respectively.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (b) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date. Save as disclosed above, none of our Directors has been a director of any other listed companies during the three years immediately preceding the date of this Prospectus.

In addition, our Directors have confirmed that to the best of their knowledge and belief, as of the Latest Practicable Date, none of our Directors is interested in or engaged in any business, which, competes or is likely to compete, directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

The table below shows certain information in respect of the senior management of our Group:

<u>Name</u>	<u>Age</u>	<u>Date of joining our Group</u>	<u>Existing Position(s) in our Group</u>	<u>Roles and responsibilities</u>
Song Xia (宋霞)	39	March 2018	chief financial officer	overseeing the overall financial and accounting affairs

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<u>Name</u>	<u>Age</u>	<u>Date of joining our Group</u>	<u>Existing Position(s) in our Group</u>	<u>Roles and responsibilities</u>
Cheng Cang (程藏)	33	December 2015	director of content production center	overseeing the overall content production affairs

Ms. Song Xia (宋霞), aged 39, is our chief financial officer and is primarily responsible for overseeing the overall financial and accounting affairs of our Group. She has been serving as the financial controller at Zhongguang Yusheng since March 2018.

Prior to joining our Group, Ms. Song worked at various companies responsible for financial management, including but not limited to (i) Beijing Enlight Media Co., Ltd. (北京光線傳媒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code:300251), from April 2008 to May 2015; (ii) Beijing East Star Culture Media Co., Ltd. (北京東方天星文化傳媒有限公司) from May 2015 to March 2016 and (iii) Haixing Media Co., Ltd. (海星傳媒有限公司) from March 2016 to January 2018.

Ms. Song obtained her bachelor's degree in accounting from Beijing Jiaotong University (北京交通大學) in July 2006.

Ms. Cheng Cang (程藏), aged 33, is our director of content production center since October 2018 and is primarily responsible for overseeing the overall content production affairs. From December 2015 to September 2018, Ms. Cheng served as an executive producer of content development center at Zhongguang Yusheng.

Prior to joining our Group, Ms. Cheng served as an executive producer and editor at A&A Beijing Media Co., Ltd. (北京澳亞恒生文化傳播有限公司) from April 2013 to September 2015, where she participated in the production of "General History of China" (中國通史), a documentary released on CCTV-6.

Ms. Cheng obtained her bachelor's degree in economics from University of International Business and Economics (對外經濟貿易大學) in June 2012.

Save as disclosed above, none of our senior management members has been a director of any other listed companies during the three years immediately preceding the date of this Prospectus.

Save as disclosed in the sections headed "Relationship with Controlling Shareholders" and "Substantial Shareholders" in this Prospectus, none of our Directors and senior management is personally related to any of our Directors, senior management, Substantial Shareholders or Controlling Shareholders. Save as disclosed above, none of our Directors holds other position with our Company.

JOINT COMPANY SECRETARIES

Mr. Liu Xinxing (劉新星) is one of the joint company secretaries of our Company and was appointed on December 23, 2019. Mr. Liu has been serving as the secretary of the board of directors at Zhongguang Yusheng since September 2019.

Prior to joining our Group, Mr. Liu had served several positions, including a legal assistant at Commerce & Finance Law Offices (北京市通商律師事務所) from July 2007 to January 2011, the director of IPO and investor relations at China Haohan Group Limited (中國昊漢集團有限公司) from January 2011 to March 2013, the secretary of the board of directors at Beijing Phoenix United

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Hospital Management Consulting Co., Ltd. (北京鳳凰聯合醫院管理諮詢有限公司) from March 2013 to May 2015, the secretary of the board of directors at Beijing United Money Exchange Co., Ltd (北京聯合貨幣兌換股份有限公司) from March 2016 to March 2018 and the vice president at Yixing Yizu (Beijing) Investment Management Co., Ltd. (易行宜租(北京)投資管理有限公司) from April 2018 to September 2019.

Mr. Liu obtained his bachelor's degree in law at Jiangxi Science and Technology Normal University (江西科技師範大學) (previously known as Jiangxi Science and Technology Normal College (江西科技師範學院)) in July 2007. He graduated from University of International Business and Economics (對外經濟貿易大學) as a postgraduate in September 2015 majoring in international law. Mr. Liu passed the qualification examinations and received the board secretary certificates from the NEEQ and the Shenzhen Stock Exchange in November 2017 and January 2019, respectively. Mr. Liu has also obtained the practicing qualification relating to private equity investment fund in July 2018.

Ms. Au Wai Ching (區慧晶) is one of the joint company secretaries of our Company and was appointed on August 7, 2019. Ms. Au joined SWCS Corporate Services Group (Hong Kong) Limited ("SWCS") in January 2016 and currently serves as an assistant manager. She is a member of the Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators. She obtained her bachelor's degree in business administration and her master's degree in corporate governance from the City University of Hong Kong in July 2012 and July 2016, respectively.

BOARD COMMITTEES

Audit Committee

Our Company 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 "CG Code") as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. Victor Huang, Mr. Chen Kai and Ms. Ran Hua. Mr. Victor Huang has been appointed as the chairman of the audit committee, and is our independent non-executive Director holding the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company established the committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Mr. Zhang Yiwu, Ms. Ran Hua and Ms. Chen Jia. Mr. Zhang Yiwu has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the remuneration policy and structure for the Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

Our Company established the nomination committee with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The nomination

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committee consists of three members, namely Mr. Liu Mu, Ms. Ran Hua, and Mr. Zhang Yiwu. Mr. Liu Mu has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment and removal of Directors of our Group.

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the CG Code. Our Company is committed to the view that our Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Except for the deviation from CG Code provision A.2.1, as at the Latest Practicable Date, our corporate governance practices have complied with the CG Code. CG Code provision A.2.1 stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Liu is the chairman and chief executive officer of our Group. In view of the fact that Mr. Liu has considerable experience in strategic planning and has been assuming day-to-day responsibilities in operating and managing our Group since August 2015, our Board believes that it is in the best interest of our Group and the Shareholders as a whole to have Mr. Liu taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from CG Code provision A.2.1 is appropriate in such circumstance. Notwithstanding from above, our board is of the view that this management structure is effective for our Group's operations and sufficient checks and balances are in place.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors are aware that upon Listing, we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Save as disclosed in the above, we will comply with the code provisions set out in the CG Code after the Listing.

The aggregate amount of remuneration including fees, salaries, bonuses, pension costs of defined contribution plans, social security costs, housing allowances and other employee benefits paid or payable to our Directors in respect of the years ended December 31, 2016, 2017 and 2018 and the eight months ended August 31, 2019 was RMB103,000, RMB533,000, RMB1,490,000 and RMB1,150,000, respectively.

Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years ended December 31, 2016, 2017 and 2018 and the eight months ended August 31, 2019.

The aggregate amount of fees, salaries, bonuses, pension costs of defined contribution plans, social security costs, housing benefits and other employee benefits to our five highest paid individuals

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in respect of the years ended December 31, 2016, 2017 and 2018 and the eight months ended August 31, 2019 was approximately RMB718,000, RMB1,824,000, RMB3,150,000 and RMB2,390,000, respectively.

No remuneration was paid 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 each of the three years ended December 31, 2016, 2017 and 2018 and the eight months ended August 31, 2019. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods. Under the arrangement currently in force, the aggregate remuneration of our Directors for the year ending December 31, 2020 is estimated to be approximately RMB2.4 million. Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on February 7, 2020. For details of the Share Option Scheme, please refer to the section headed “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix IV to this Prospectus.

COMPLIANCE ADVISER

We have appointed Celestial Capital Limited as our compliance adviser (the “**Compliance Adviser**”) upon the Listing of our Shares on the Stock Exchange 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 the Compliance Adviser in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we procure to use the proceeds from 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
- where the Stock Exchange makes an inquiry to our Company regarding unusual movement in the price or trading volume of the Shares of our Company, the possible development of a false market in our securities, any inside information which needs to be disclosed under Part XIVA of the SFO, or any other matters.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

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DIVERSITY POLICY

We are committed to promoting the culture of diversity in our Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of program production, education, finance, legal profession, auditing and accounting. They obtained degrees in various majors including communication, radio and TV journalism, economics, accounting and business administration. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and the management levels. Currently, one of our executive Directors is female. We recognize that the gender diversity at the Board level can be improved given the majority of our Directors are male. We will continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole.

We are also committed to adopting similar approach to promote diversity of the management (including but not limited to the senior management) of our Company to enhance the effectiveness of our corporate governance as a whole.

Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. After the Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued under the Over-allotment Option or the Share Option Scheme), the following persons will have interests or short positions 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:

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Capitalization Issue and the Global Offering ⁽¹⁾	
		Number	Approximate percentage	Number	Approximate percentage
Mr. Liu ⁽²⁾⁽³⁾	Interest in controlled corporations	406,468,954(L) ⁽⁶⁾	61.91%	742,884,739(L) ⁽⁶⁾	46.43%
Double K Limited ⁽²⁾	Beneficial owner	388,468,954(L) ⁽⁶⁾	59.17%	709,986,961(L) ⁽⁶⁾	44.37%
Blueberry Culture Limited ⁽³⁾	Beneficial owner	18,000,000(L) ⁽⁶⁾	2.74%	32,897,778(L) ⁽⁶⁾	2.06%
China Zenith Limited ⁽⁴⁾	Beneficial owner	58,409,812(L) ⁽⁶⁾	8.90%	106,752,945(L) ⁽⁶⁾	6.67%
CHEN DA ZHI LIMITED ⁽⁵⁾	Beneficial owner	46,080,000(L) ⁽⁶⁾	7.02%	84,218,311(L) ⁽⁶⁾	5.26%

(1) Assuming the Over-allotment Option is not exercised and without taking into account of the Shares that may be issued pursuant to the options that may be granted under the Share Option Scheme.

(2) The entire issued share capital of Double K Limited is directly owned by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in the Shares held by Double K Limited.

(3) The entire issued share capital of Blueberry Culture Limited is directly owned by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in the Shares held by Blueberry Culture Limited.

(4) The entire issued share capital of China Zenith Limited is wholly owned by Star Fortune Investment Holdings Limited, which is wholly owned by Mr. Liu Chuanjun (劉傳軍), an Independent Third Party. Accordingly, each of Star Fortune Investment Holdings Limited and Mr. Liu Chuanjun is deemed to be interested in the Shares held by China Zenith Limited.

(5) The entire issued share capital of CHEN DA ZHI LIMITED is wholly owned by Mr. Chen Dazhi. Accordingly, Mr. Chen Dazhi is deemed to be interested in the Shares held by CHEN DA ZHI LIMITED.

(6) The Letter "L" denotes the person's long position in our Share.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued under the Over-allotment Options or the Share Option Scheme), have interests or short positions in 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 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 and/or any of our subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued under the Over-allotment Option or the Share Option Scheme):

1. Prior to the Global Offering

		<u>Nominal Value</u> (US\$)
<i>Authorized share capital</i>		
5,000,000,000	Shares of US\$0.00001 par value	50,000
<i>Issued and to be issued, fully paid or credited to be fully paid</i>		
656,579,304	Shares of US\$0.00001 par value	6,565.79

2. Immediately following the completion of the Capitalization Issue and the Global Offering

		<u>Nominal Value</u> (US\$)
<i>Authorized share capital</i>		
5,000,000,000	Shares of US\$0.00001 each	50,000
<i>Issued and to be issued, fully paid or credited to be fully paid</i>		
656,579,304	Shares in issue	6,565.79
543,420,696	Shares to be issued pursuant to the Capitalization Issue	5,434.21
400,000,000	Shares to be issued pursuant to the Global Offering	4,000
1,600,000,000	Total	16,000

ASSUMPTIONS

The above table assumes that the Global Offering become unconditional and is completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the Capitalization Issue and the Global Offering. The above table does not take into account any Shares to be issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

The Offer Shares will be ordinary shares in the share capital of our Company and will rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all

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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 MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or share capital redemption reserve by its shareholders passing a special resolution. For details, see “Appendix III — Summary of the Constitution of the Company and Cayman Companies Law — 2. Articles of Association — 2.5 Alteration of capital.”

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to the shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourth in nominal value of the issued shares of that class or with the sanction of special resolution passed at a separate general meeting of the holders of the shares of that class. For details, see “Appendix III — Summary of the Constitution of the Company and Cayman Companies Law — 2. Articles of Association — 2.4 Variation of rights existing shares or classes of shares.”

Further, our Company will also hold general meetings from time to time as may be required under the Articles, a summary of which is set out in the section headed “Appendix III — Summary of the Constitution of the Company and Cayman Companies Law.”

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on February 7, 2020. The principal terms of the aforementioned scheme are summarized in the section headed “Statutory and General Information — D. Other Information — 1. Share Option Scheme” in Appendix IV to the Prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this Prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warranties or similar rights to subscribe for Shares of 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 the Directors other than pursuant to:

- (i) a rights issue;
- (ii) 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 our Articles;
- (iii) a specific authority granted by the Shareholders in general meeting,

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shall not exceed the aggregate of:

- (i) 20% of the total nominal value of the share capital of our Company in issue upon completion of the Capitalization Issue and the Global Offering without taking into account any Shares which may be issued under the Over-allotment Option or the Share Option Scheme; and
- (ii) 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 the section headed “— General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire at the earliest of:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see “Statutory and General Information — A. Further Information about our Group — 4. Resolutions in writing of the Shareholders passed on February 7, 2020” in Appendix IV of this Prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering,” our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase the Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in the issue immediately following the completion of the Global Offering.

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange of this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set forth in the subsection headed “Statutory and General Information — A. Further Information about our Group — 6. Repurchase of our Shares” in Appendix IV of this Prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (iii) when varied or revoked by any ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see “Statutory and General Information — A. Further Information about our Group — 4. Resolutions in writing of the Shareholders passed on February 7, 2020” in Appendix IV of this Prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements (including the accompanying notes) in “Appendix I — Accountants’ Report” to this Prospectus. Our consolidated financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed “Forward-looking Statements,” “Risk Factors,” and “Business” in this Prospectus.

OVERVIEW

We are a rapidly growing independent producer of variety programs in China. According to the F&S Report, we were the 8th largest independent producer of variety programs in China in terms of 2018 revenue, in a highly fragmented market. Leveraging our distinctive and integrated business model focused on content development and marketing, our business has experienced significant and rapid growth during the Track Record Period.

In 2016, 2017 and 2018 and the eight months ended August 31, 2018 and 2019, we generated revenue from two, four, three, three and six programs, respectively. Our revenue experienced an increase from RMB127.8 million in 2016 to RMB282.9 million in 2018 at a CAGR of 48.8%. Our gross profit experienced an increase from RMB50.3 million in 2016 to RMB116.0 million in 2018 at a CAGR of 51.9%. Our revenue and gross profit were RMB222.7 million and RMB90.5 million for the eight months ended August 31, 2019, respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the following are the key factors affecting our results of operations.

Strength of Our Pipeline Portfolio

We primarily generate revenue from our development, production and distribution of video content. In 2016, 2017 and 2018, our revenue experienced significant growth from RMB127.8 million to RMB160.4 million and further to RMB282.9 million, respectively. This growth was fueled by the revenue generated from the release of two, four and three programs during these periods and also by the continued expansion of our program pipeline. For the eight months ended August 31, 2019, our revenue was RMB222.7 million, which was fueled by the revenue generated from the release of six programs. We expect that the release of our program pipeline under development will continue to contribute to the growth of our revenue and be the main driver of our future operating results. As of the Latest Practicable Date, we released six programs after the Track Record Period and expect to release 18 programs in 2020. The following table sets forth details of our releases after the Track Record Period and upcoming releases in 2020 based on our plans as of the Latest Practicable Date.

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Estimated release time	Released after Track Record Period		Contracts signed ⁽¹⁾		LOI signed		Internally approved ⁽²⁾		Total		Cost incurred as of the Latest Practicable Date
	No. of programs	Estimated costs (RMB in millions)	No. of programs	Estimated costs (RMB in millions)	No. of programs	Estimated costs (RMB in millions)	No. of programs	Estimated costs (RMB in millions)	No. of programs	Estimated costs (RMB in millions)	
2019											
TV programs	4	146.9	—	—	—	—	—	—	4	146.9	116.6
Made-for-internet programs	1	5.5	—	—	—	—	—	—	1	5.5	4.6
<i>Subtotal</i>	<i>5</i>	<i>152.4</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>5</i>	<i>152.4</i>	<i>121.2</i>
2020											
TV programs	—	—	3	508.0	3	208.0	5	548.0	11	1,264.0	409.3
Made-for-internet programs	1	2.0	1	14.2	3	147.0	3	127.0	8	290.2	20.0
<i>Subtotal</i>	<i>1</i>	<i>2.0</i>	<i>4</i>	<i>522.2</i>	<i>6</i>	<i>355.0</i>	<i>8</i>	<i>675.0</i>	<i>19</i>	<i>1,554.2</i>	<i>429.3</i>
Total	6	154.4	4	522.2	6	355.0	8	675.0	24	1,706.6	550.5

(1)-(2) See footnotes under the same table in “Business — Releases after the Track Record Period and Upcoming Releases.”

For more details on our pipeline portfolio, see “Business — Releases after the Track Record Period and Upcoming Releases.” Although we expect our pipeline to continue to be strong in the foreseeable future, there are many risks and uncertainties in the development, production and distribution, and finally the realization of revenue on, these programs. See “Risk Factors — Risks Relating to Our Programs — Information on our pipeline programs may not prove to be accurate or indicative of our future results of operations.”

Changes in Mix of Our Program Portfolio

During the Track Record Period, we primarily developed TV variety programs. Going forward, as our program portfolio continues to expand and diversify, certain aspects of our operating results may be affected:

- *TV vs. made-for-internet.* As of the Latest Practicable Date, we expect to release seven made-for-internet programs in 2020. Historically, on the one hand, the cost of developing and producing our made-for-internet programs has generally been lower than that for our TV programs. On the other hand, whereas revenue from a TV program is relatively fixed based on contracts, revenue from made-for-internet programs may be subject to greater uncertainty as our fee is generally in the form of revenue sharing based on the number of views. During the Track Record Period, our made-for-internet programs had relatively lower gross profit margins compared to our TV programs. Going forward, to ensure profitability, we will seek to increasingly negotiate for either a lump sum fee or a combination of minimum guarantee and revenue sharing based on the number of views. In addition, we generally expect made-for-internet programs to have a shorter trade receivables turnover, as online video platforms tend to settle trade receivables in a more timely manner compared to TV networks. As we produce more made-for-internet programs, we may experience a decrease in trade receivable turnover days and lower impairment of trade receivables, which may increase our net profit.
- *Variety programs vs. TV drama series.* As of the Latest Practicable Date, we had scheduled to release two TV drama series in 2020. As compared to variety programs, TV drama series generally require more financial investments but, on average, offer higher gross profit margins (although generally a lower percentage of revenue is derived from

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corporate sponsors and product placement advertising). Moreover, TV drama series generally require a longer development and production time, and as a result, we may not recognize revenue from such programs in the same year of development or production. We may record long aging program copyrights in relation to these programs, which will also affect our cash conversion cycle. Historically, we delivered the master tape of our variety programs on a rolling basis to the media platform. Since 2019, due to our resource allocation measures and as we gradually strengthen our financial resources by developing more programs and generating more cash from operations, we increasingly delivered the master tape of all episodes of a program in a single batch, as was the case in April 2019 for “Hello! Interviewer” (seasons 5-7). For TV drama series, we generally deliver the master tape for all episodes before broadcasting.

- *First season vs. later seasons.* As of the Latest Practicable Date, we had scheduled to release four new variety programs in 2020 and have scheduled to have four existing variety programs to return for more seasons in 2020. Generally, if a TV variety program is successful in its first season, our corporate sponsors and the TV networks are willing to make more investments in the later seasons to continue that success. As a result, the revenue of a program’s second season will likely increase from that of its first season. Our costs to produce and distribute later seasons may fluctuate. For example, our costs of producing “Hello Food” decreased from 2016 to 2017 as we were able to leverage on the studio set designed and constructed in the previous season. On the other hand, in many cases, we have increasing pricing power in subsequent seasons as compared to the first season, which may lead to increases in our gross profit margin. For example, the gross profit margin of “Hello Food” increased from 42.9% in 2016 to 56.9% in 2017.

Ability to Collect Trade Receivables on a Timely Basis

Our cash flow and profitability are affected by the timely settlement of payments by our customers for the services we have rendered to them. Many of our largest customers are leading TV networks in China. Although our contractual credit periods with these customers are generally 30 days to 90 days from the date of billing, actual settlement periods for these customers may be significantly longer in practice. The long settlement period, according to the F&S Report, is not uncommon among suppliers to TV networks in China. As of December 31, 2016, 2017 and 2018 and August 31, 2019, our trade receivables totaled RMB109.3 million, RMB133.5 million, RMB203.9 million and RMB375.7 million, respectively. In 2016, 2017 and 2018, and the eight months ended August 31, 2019, turnover days of our trade receivables were approximately 202 days, 276 days, 218 days and 316 days, respectively. We recorded loss allowance for trade and other receivables charged to our consolidated statements of profit or loss amounted to RMB11.0 million, RMB8.4 million and RMB11.1 million in 2016, 2017 and 2018, respectively, and recorded a reversal of loss allowance for trade and other receivables in our consolidated statements of profit or loss in the amount of RMB4.3 million for the eight months ended August 31, 2019 mainly because we increased collection efforts for long-aging receivables. The high turnover days of our trade receivables also contributed to a negative cash flow from operating activities of RMB32.3 million, RMB47.0 million and RMB172.9 million in 2016, 2017 and the eight months ended August 31, 2019, respectively. On programs such as “Hey! Let’s Sing” (嗨！唱起來) in 2018 where we had a relatively unique deal structure, we sold a majority interest in the intellectual property rights associated with the program for a lump sum. We have a

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relatively shorter settlement period for “Hey! Let’s Sing”, and as a result, we were able to collect trade receivables relatively quickly, which contributed to a decrease in turnover days from 2017 to 2018. Furthermore, the turnover days of our trade payables has been significantly lower than our trade receivables turnover days, which also contributed to our operating cash outflow.

As we continue to expand our program portfolio, we expect that our ability to collect our trade receivables on a timely basis will become increasingly important in maintaining our liquidity and the pace of our expansion. See “Risk Factors — Risks Relating to Our Financial Performance — Our future operations, working capital and cash flow position may be adversely affected if our customers fail or delay to settle payments due to us.”

Changes in Effective Tax Rate

Our effective tax rates were 25.1%, 2.1%, 5.1%, (2.7)%, and 24.8% in 2016, 2017, 2018, and the eight months ended August 31, 2018 and 2019, respectively, calculated based on actual tax credit/ (expense) divided by profit before income tax for the same period. Our effective tax rate decreased significantly from 2016 to 2017 and 2018 primarily because one of our PRC Operating Entities, Yili Zhongsheng, began to enjoy preferential tax treatment at the end of 2016 and is exempted from EIT from 2016 to 2020. We recorded an income tax credit of RMB1.9 million for the eight months ended August 31, 2018 mainly because (i) our Beijing operating entity, Zhongguang Yusheng, recognized a deferred tax asset; and (ii) our profit for the eight months ended August 31, 2018 was mainly generated through Yili Zhongsheng, which is exempted from EIT. Beginning in 2018, as our operations expanded rapidly, we decided to centralize our business through Zhongguang Yusheng to facilitate our management of growing operations. Zhongguang Yusheng is subject to the standard EIT rate of 25%. In addition, for the eight months ended August 31, 2019, Zhongguang Yusheng recorded certain non-deductible expenses, which mainly represented listing expenses. As a result, we incurred RMB15.4 million in income tax expenses for the eight months ended August 31, 2019, resulting in an increase in effective tax rate.

Seasonality

The TV program development, production and distribution industry is subject to significant seasonality. In the first quarter of a calendar year, because of the large number of Chinese New Year galas produced by CCTV and various provincial satellite TV networks (which may be repeated many times during Chinese New Year holiday season), there are fewer broadcasting slots during this period for other types of programs. The level of TV program development, production and distribution activities increases in the second quarter and continues into the second half of the calendar year. In addition, there are special primetime slots targeted at young people during their summer break from school in July and August. As a result, in general, we expect our revenue, gross profit and net profit to be higher in the second half of the year than in the first half. Notwithstanding the foregoing, our “Hey! Let’s Sing,” a large revenue contributor, was released on a rolling basis from May to July 2018, hence leading to higher revenue in the first half of 2018 than in the second half.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on May 28, 2019 as an exempted company with limited liability under the Cayman Islands Companies Law. The principal activities of

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our Group are video content operations. Prior to the completion of the Reorganization, the principal activities of our Group were carried out by Zhongguang Yusheng and its subsidiaries, which were established in the PRC. In preparation for the Global Offering, we underwent the Reorganization described in “History, Reorganization and Corporate Structure,” which included (i) incorporating our Company and certain investment holding companies; and (ii) entering into Contractual Arrangements. Upon the completion of the Reorganization, our Company became the holding company of the companies now comprising our Group. Because the Reorganization did not involve any changes in the economic substance of the ownership and the business of our Group, our historical financial information has been prepared and presented as a continuation of the financial information of our principal activities with the assets and liabilities recognized and measured at their historical carrying amounts prior to the Reorganization. The consolidated statements of profit or loss and other comprehensive income, our consolidated statements of changes in equity and the consolidated cash flow statements for the years ended December 31, 2016, 2017 and 2018 and the eight months ended August 31, 2019 include the financial performance and cash flows of the companies now comprising our Group (or where the companies were incorporated/established at a date later than January 1, 2016, for the period from the date of incorporation/establishment to August 31, 2019) as if the current group structure had been in existence and remained unchanged throughout the Track Record Period. Our consolidated statements of financial position as of December 31, 2016, 2017 and 2018 and August 31, 2019 have been prepared to present the financial position of the companies now comprising our Group as of those dates as if the current group structure had been in existence as of the respective dates.

Our historical financial information has been prepared in accordance with all applicable IFRSs which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board. The IASB has issued a number of new and revised IFRSs. For the purpose of preparing our historical financial information, our Group has consistently applied applicable new and revised IFRSs, including IFRS 15 Revenue from contracts with customers, IFRS 9 Financial Instruments and IFRS 16 Leases throughout the Track Record Period. The adoption of IFRS 9, IFRS 15 and IFRS 16 did not have any significant impact on our financial position or results of operations during the Track Record Period.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS

Our significant accounting policies and critical estimates and judgments, which are important for an understanding of our financial condition and result of operations, are set forth in details in Note 2 and 3 in the Accountants’ Report set out in Appendix I to this Prospectus.

Significant Accounting Policies

Revenue

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax and is after deduction of any trade discounts.

- *Licensing of broadcasting rights of programs.* Revenue from licensing of broadcasting rights of programs is recognized at a point when the control of the TV program has been

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transferred and accepted by the media platform. (We also refer to revenue from licensing of broadcasting rights of programs as fees from production and distribution.)

- *Advertising.* We recognize advertising revenue on a straight-line basis over the program broadcast period with customers in which the advertisements are displayed.
- *Licensing of intellectual properties.* We also authorize corporate sponsor clients to use the program materials for their offline marketing activities. The revenue is recognized on a straight-line basis over the period that our obligation is satisfied over time and when the right to receive payment is established.

Critical Estimates and Judgments

Critical accounting judgments and estimates are those that are most important to the portrayal of our financial condition and results of operations and require our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, the assets and liabilities and their accompanying disclosures, which could result in the need to make estimates of the effect of matters that are inherently uncertain and may change in subsequent periods.

We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our financial statements.

Deferred Tax

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In assessing whether such temporary differences can be utilized in the future, we need to make judgments and estimates on the ability of each of its subsidiaries to generate taxable income in the future years. We believe it has recorded adequate deferred taxes based on the prevailing tax rules and regulations and its current best estimates and assumptions. In the event that future tax rules and regulations or related circumstances change, adjustments to deferred taxation may be necessary which would impact our results or financial position.

Credit Loss and Trade Receivables

We recognize a loss allowance for expected credit loss (ECLs) financial assets measured at amortized cost. ECLs on these financial assets are estimated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial condition of the debtors and the general economic conditions were to deteriorate, actual write-offs would be higher than estimated.

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The following table sets forth our expected credit loss rate during the Track Record Period.

	<u>Expected credit loss rate</u>
Current (not past due)	3%
Within 3 months past due	10%
3 months to 6 months past due	18%
6 months to 9 months past due	20%
9 months to 12 months past due	23%
12 months to 15 months past due	33%
15 months to 18 months past due	60%
More than 18 months past due	100%

The expected loss rates are based on actual loss experience in recent years since January 1, 2016. As our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between different customers.

DESCRIPTION OF INCOME STATEMENT LINE ITEMS

The table below sets forth a summary of our consolidated statement of profit or loss and other comprehensive income for the period indicated.

	For the year ended December 31,						For the eight months ended August 31,			
	2016		2017		2018		2018		2019	
	(RMB in thousands, except percentages of revenue)									
	(unaudited)									
Revenue	127,840	100.0%	160,429	100.0%	282,931	100.0%	259,286	100.0%	222,708	100.0%
Cost of sales	(77,578)	(60.7)	(71,123)	(44.3)	(166,978)	(59.0)	(156,758)	(60.5)	(132,203)	(59.4)
Gross profit	50,262	39.3	89,306	55.7	115,953	41.0	102,528	39.5	90,505	40.6
Other net income	270	0.2	331	0.2	11,375	4.0	9,288	3.6	443	0.2
Selling and marketing expenses	(11,566)	(9.0)	(11,559)	(7.2)	(7,968)	(2.8)	(5,092)	(2.0)	(6,037)	(2.7)
General and administrative expenses	(15,872)	(12.4)	(17,222)	(10.8)	(26,593)	(9.4)	(36,605)	(14.1)	(17,282)	(7.8)
Profit from operations	23,094	18.1	60,856	37.9	92,767	32.8	70,119	27.0	67,629	30.4
Net finance expenses	(4,577)	(3.6)	(3,577)	(2.2)	(2,427)	(0.9)	(1,551)	(0.6)	(5,515)	(2.5)
Profit before income tax	18,517	14.5	57,279	35.7	90,340	31.9	68,568	26.4	62,114	27.9
Income tax (expense)/credit	(4,653)	(3.7)	(1,196)	(0.7)	(4,607)	(1.6)	1,868	0.7	(15,377)	(6.9)
Profit for the year/period	13,864	10.8	56,083	35.0	85,733	30.3	70,436	27.2	46,737	21.0
Attributable to:										
Equity shareholders of our										
Company	13,864	10.8	56,212	35.0	86,258	30.5	70,961	27.4	46,737	21.0
Non-controlling interests	—	—	(129)	(0.1)	(525)	(0.2)	(525)	(0.2)	—	—
Profit for the year/period	13,864	10.8	56,083	34.9	85,733	30.3	70,436	27.2	46,737	21.0
Items that may be reclassified subsequently to profit or loss:										
Exchange differences on translation into presentation currency of the Group	—	—	—	—	—	—	—	—	2,183	1.0
Other comprehensive income for the year/period	—	—	—	—	—	—	—	—	2,183	1.0
Total comprehensive income for the year/period	13,864	10.8%	56,083	34.9%	85,733	30.3%	70,436	27.2%	48,920	22.0%

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Revenue

Revenue by Source

Our revenue is stated net of value added taxes and trade discounts. For programs from which we received production and distribution fees from providing such services to TV networks in a single transaction (such as “Hello Food” season 2 and “Hello! Interviewer”), time slot purchase fees we paid to TV networks in that transaction were deemed as a trade discount and netted off against revenue. For programs from which we did not provide production and distribution services (such as “Super Show” and “Hey! Let’s Sing”) and our revenue was primarily generated from corporate sponsors, time slot purchase fees have not been netted off against revenue.

During the Track Record Period, we primarily derived revenue related to the content (including both TV programs and made-for-internet programs) that we developed, marketed, produced and distributed. Such content-related revenue primarily consisted of:

- revenue from media platforms, representing (i) fees for the production and distribution of our programs; and (ii) sale of the majority interest in intellectual property rights associated with “Hey! Let’s Sing.”
- revenue from our corporate sponsors for advertising (including both product placement advertising and TV commercials), as well as revenue from out-licensing of intellectual properties. Also included is the advertising revenue paid to us by the media platform for “Hey! Let’s Sing” pursuant to our revenue sharing arrangement with the media platform, which was recorded as revenue from corporate sponsors because the nature of this revenue is sharing of advertising revenue generated from corporate sponsors.

Other than the advertising revenue pursuant to our revenue sharing arrangement for “Hey! Let’s Sing” (which was recognized at a point in time), we recognize advertising revenue on a straight-line basis starting from the release, i.e. broadcasting, of our program. Advertising revenue for “Hey! Let’s Sing” was recognized at a point in time after the program completes its broadcast because, pursuant to our arrangement with the media platform, the amount of such revenue may vary and would be confirmed by the media platform after the program was broadcast. In contrast, the amount of advertising revenue we generate from other programs is determined pursuant to contract negotiations before the programs are broadcast and such revenue is recognized on a straight-line basis as we perform our obligations under the contract. We recognize production and distribution revenue at a point in time upon our delivery (i.e. transfer) and the subsequent acceptance by media platform of the program master tape. The amount of revenue recognized upon delivery and acceptance of the master tape is determined based on the number of episodes delivered. See “— Significant Accounting Policies and Critical Estimates and Judgments — Significant Accounting Policies — Revenue” and Note 2 of the Accountants’ Report set out in Appendix I to this Prospectus. For TV variety programs, the length of time between delivery and acceptance of the master tape and broadcasting historically has been approximately two to three weeks.

During the Track Record Period, we also generated revenue from other services such as program production, marketing and promotion and sale of intellectual property rights. Compared to the programs from which we generate content-related revenue, we did not hold investment entitlement in

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programs under other services. We recognize revenue from other services at a point in time when control over a product or service is transferred to the customer.

The following table sets forth the components of our revenue by source and by revenue recognition timing for the period indicated.

	For the year ended December 31,			For the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands)			(unaudited)	
Content-related					
Media platforms	59,071	82,519	221,772 ⁽¹⁾	198,406	210,916
Corporate sponsors	64,578	61,207	59,272 ⁽²⁾	58,993	11,792
<i>Subtotal</i>	<i>123,649</i>	<i>143,726</i>	<i>281,044</i>	<i>257,399</i>	<i>222,708</i>
Others					
Program production ⁽³⁾	—	6,604	—	—	—
Marketing and promotion ⁽⁴⁾	4,191	194	—	—	—
Sales of intellectual property rights ⁽⁵⁾	—	9,905	1,887	1,887	—
<i>Subtotal</i>	<i>4,191</i>	<i>16,703</i>	<i>1,887</i>	<i>1,887</i>	<i>—</i>
Total	127,840	160,429	282,931	259,286	222,708
Point in time	63,262	99,222	250,833	227,517	210,916
Over time ⁽⁶⁾	64,578	61,207	32,048	31,769	11,792
Total	127,840	160,429	282,931	259,286	222,708

- (1) Includes revenue from sale of the majority interest in intellectual property rights associated with “Hey! Let’s Sing.”
- (2) Includes advertising revenue paid to us by the media platform for “Hey! Let’s Sing” pursuant to our revenue sharing arrangement with the media platform, which was recorded as revenue from corporate sponsors due to its nature.
- (3) Represents revenue from production of three movies, namely “Five Watches” (五隻手錶), “The Murderer is not Far Away” (走不遠的兇手) and “Li Lei and Han Meimei” (李雷和韓梅梅), which are content that we did not operate and are not included in our program portfolio, for our Customer G, an Independent Third Party.
- (4) Represents revenue from the marketing activities we conducted for a third-party marketing company, video program producer and TV network in promoting their upcoming releases and media-related companies in promoting their brands. These releases and brands are unrelated to our program portfolio.
- (5) Represents sale of intellectual property rights for content that we did not operate and are not included in our program portfolio, such as the sale of the script for “Li Lei and Han Meimei” to our Customer G.
- (6) Represents revenue that is recognized on a straight-line basis.

Our content-related revenue from corporate sponsors as a percentage of total revenue decreased during the Track Record Period, which was affected by the following factors.

- *Program characteristics.* The genre and characteristics of each program has an effect on the percentage of content-related revenue from corporate sponsors. For example:
 - (a) *“Hello Food”.* “Hello Food” generated approximately 40% to 50% of its revenue from corporate sponsors because we have developed a network of corporate sponsors for food genre programs having operated this program for several years and because corporate sponsors have a strong interest in sponsoring this type of program to promote their food and beverage brands.

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- (b) *“Hello! Interviewer”*. Revenue from corporate sponsors for “Hello! Interviewer” represented advertising fees paid by SME employers that participated in the program as guests. Compared to large corporate sponsors, the scale of these SME employers were smaller and therefore their advertising fees were generally lower. As such, we primarily recorded revenue from the media platform for this program.
- *Deal structure*. The commercial terms and deal structure for each program varies from case to case, which has an effect on the percentage of content-related revenue from corporate sponsors from year to year. In 2018, for “Hey! Let’s Sing”, we had a relatively unique deal structure and recorded a significant amount of revenue from sale of majority interest in intellectual property rights to Kugou Music, which was recorded as revenue from media platform. We were also required to share the advertising revenue we received from the media platform. As a result, the amount of revenue from corporate sponsors for this program was relatively low.
 - *Schedule of program development and release*. During the Track Record Period, because content-related revenue from corporate sponsors was generally recognized upon the release of the program, unlike production and distribution revenue from media platforms which was generally recognized upon the delivery and acceptance of the master tape, the percentage of content-related revenue from corporate sponsors for a year or period may be low if certain programs have not been broadcast but have delivered and accepted master tapes.

Revenue by Program

During the Track Record Period, we generated content-related revenue from TV programs and made-for-internet programs. In 2016, 2017 and 2018 and the eight months ended August 31, 2018 and 2019, we generated revenue from two, four, three, three and six programs, respectively. The following table sets forth the components of our content-related revenue by program for the period indicated. Revenue generated from other services is not included in the amounts below because such revenue cannot be allocated to our programs.

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	For the year ended December 31,			For the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	(unaudited)				
TV variety programs					
Hello Food (誰是你的菜)	107,702	123,961	—	—	—
Super Show (超級大首映)	15,947	—	—	—	—
Chef in the House (家有廚神)	—	2,453	—	—	—
Hello! Interviewer (你好！面試官)	—	16,255	96,985	74,012	98,742
Hey! Let's Sing (嗨！唱起來)	—	—	182,884	182,884	—
To Infinity and Beyond (從地球出發)	—	—	—	—	58,641
Oh! My Boss (老總來了)	—	—	—	—	42,453
<i>Subtotal</i>	<u>123,649</u>	<u>142,669</u>	<u>279,869</u>	<u>256,896</u>	<u>199,836</u>
Made-for-internet movie					
Fall of a KOL series ⁽¹⁾ (網紅是怎樣倒下的)	—	1,057	1,175	503	4
Made-for-internet drama series					
Beijing Drifters' Love Story (北漂愛情故事) ..	—	—	—	—	5,415
Renaissance (鳳唳九天)	—	—	—	—	17,453
<i>Subtotal</i>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,868</u>
Total content-related revenue	<u>123,649</u>	<u>143,726</u>	<u>281,044</u>	<u>257,399</u>	<u>222,708</u>

(1) Includes “Fall of a KOL,” “Apt. #71” and “Invisible Lover” parts I and II.

Revenue by Customer Type

During the Track Record Period, we generated revenue from three types of customers, namely, (i) TV networks; (ii) non-TV networks, which primarily represent online video platforms, advertising agents representing corporate sponsors and Kugou Music, to whom we sold majority interest in intellectual property rights; and (iii) others.

The table below sets forth the components of our revenue by customer type for the period indicated.

	For the year ended December 31,			For the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	(unaudited)				
Content-related					
TV networks	59,071	81,462	106,312	83,618	191,346
Non-TV networks	64,578	62,264	174,732	173,781	31,262
<i>Subtotal</i>	<u>123,649</u>	<u>143,726</u>	<u>281,044</u>	<u>257,399</u>	<u>222,708</u>
Others	4,191	16,703	1,887	1,887	—
Total	<u>127,840</u>	<u>160,429</u>	<u>282,931</u>	<u>259,286</u>	<u>222,708</u>

Cost of Sales

Our cost of sales mainly represents the cost we incurred in our operations. Our cost of sales amounted to RMB77.6 million, RMB71.1 million, RMB167.0 million, RMB156.8 million and RMB132.2 million for the years ended December 31, 2016, 2017 and 2018 and the eight months ended August 31, 2018 and 2019, respectively.

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Cost of Sales by Revenue Source

Our cost of sales consisted of (i) cost of sales incurred in the development, marketing, production of programs; and (ii) cost of sales incurred in other services we provided, such as cost of intellectual property rights sold to third parties, production costs related to the three movies that we were engaged to produce in 2017 and costs incurred in our marketing and promotion services. The table below sets forth the components of our cost of sales by revenue source for the period indicated.

	For the year ended December 31,			For the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	(unaudited)				
Content-related	76,135	60,308	161,183	150,963	132,203
Others	1,443	10,815	5,795	5,795	–
Total	77,578	71,123	166,978	156,758	132,203

Cost of Sales by Type of Program

The table below sets forth the components of our content-related cost of sales by type of program for the period indicated. Cost of sales incurred in other services we provided is not included in the amounts below because such costs cannot be allocated to our programs.

	For the year ended December 31,			For the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	(unaudited)				
Content-related					
TV programs	76,135	59,705	159,275	149,055	110,480
Made-for-internet programs	–	603	1,908	1,908	21,723
Total	76,135	60,308	161,183	150,963	132,203

Cost of Sales by Nature

Our cost of sales primarily related to (i) production costs, which represent outsourcing costs primarily for photography, choreography, lighting, sound, equipment rental, stage setup and other production overheads; (ii) post-production costs, which include costs on program editing and visual effects; (iii) fees for celebrity appearances on our programs; and (iv) time slot purchase fees paid to TV networks.

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The following table sets forth the components of our cost of sales by nature for the period indicated.

	For the year ended December 31,						For the eight months ended August 31,			
	2016		2017		2018		2018		2019	
	(RMB in thousands, except percentages)									
	(unaudited)									
Content-related										
Production costs	26,037	33.6%	24,055	33.8%	112,737	67.5%	106,755	68.1%	121,631	92.0%
Post-production costs . . .	14,151	18.2	11,405	16.0	10,251	6.1	6,876	4.4	3,408	2.6
Fees for celebrities	23,113	29.8	23,775	33.4	8,625	5.2	8,012	5.1	3,490	2.6
Time slot purchase fees	11,792	15.2	—	—	28,302	16.9	28,302	18.1	—	—
Miscellaneous ⁽¹⁾	1,042	1.3	1,073	1.5	1,268	0.8	1,018	0.6	3,674	2.8
<i>Subtotal</i>	<i>76,135</i>	<i>98.1</i>	<i>60,308</i>	<i>84.8</i>	<i>161,183</i>	<i>96.5</i>	<i>150,963</i>	<i>96.3</i>	<i>132,203</i>	<i>100.0</i>
Others⁽²⁾	1,443	1.9	10,815	15.2	5,795	3.5	5,795	3.7	—	—
Total	<u>77,578</u>	<u>100.0%</u>	<u>71,123</u>	<u>100%</u>	<u>166,978</u>	<u>100.0%</u>	<u>156,758</u>	<u>100.0%</u>	<u>132,203</u>	<u>100.0%</u>

(1) Represents program related transportation, travel and meal reimbursement costs.

(2) Represents cost of intellectual property rights sold to third parties, production costs related to the three movies that we were engaged to produce in 2017 and costs incurred in our marketing and promotion services.

Our cost of sales may vary significantly from program to program depending on our budget, program format, the media platform, corporate sponsors and commercial negotiations. The composition of our cost of sales may also vary due to these factors. For example, the production costs in 2018 were relatively high because we engaged Jiangsu Satellite TV for the production of “Hey! Let’s Sing,” and we recognized all of the costs related to the program as production costs, whereas on most programs we are engaged by the TV networks for program production and distribution. While fees for celebrities remained relatively stable in 2016 and 2017 because “Hello Food,” our major revenue contributor in both years, had similar levels of celebrity appearances, fees for celebrities decreased in 2018 because such fees were included in the production costs paid to Jiangsu Satellite TV for “Hey! Let’s Sing”, and our other main program during the year, “Hello! Interviewer”, did not have celebrity guests on the program (except for the host of the program). Our fees for celebrities for the eight months ended August 31, 2019 were mainly attributable to “Hello! Interviewer”. Such fees decreased compared to the same period in 2018 as a less expensive host was engaged for the program, which had already achieved a certain degree of popularity. According to the notice of Further Strengthening the Administration on Radio or Television Programs and Online Audio-visual Entertainment Programs (《關於進一步加強廣播電視和網絡視聽文藝節目管理的通知》), the total payment for all performers of a television series or web series (or online motion picture) shall not exceed 40% of the total production cost, and the payment for principal performers shall not exceed 70% of the total payment of all performers. Accordingly, the cost of the performers on a program is restricted to a level required by the relevant regulation, which may pose positive impact on our financial position and results of operations. For details, see “Regulation Overview — Regulations in Relation to Production and Distribution of Radio and Television Programs”.

Time slot purchase fees generally refer to fees payable by us to TV networks for time slots primarily designated for TV commercials released together with the program. Compared to TV

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networks, online video platforms are a different media format and typically do not have time slots designated for advertisements. As such, our made-for-internet programs, such as “Fall of a KOL” series, “Renaissance” and “Beijing Drifters’ Love Story” did not have time slot purchase fees as they were released on online video platforms.

Typically, the amount of time slot purchase fees varies depending on (i) the length; and (ii) the quality (i.e. weekend primetime or not) of the advertisement time utilized. Furthermore, whether or not we have to pay time slot purchase fees may vary from program to program depending on the results of our commercial negotiation. For example, in 2016, we recorded time slot purchase fees of RMB11.8 million primarily in relation to “Super Show” and reruns of “Hello Food” season 1. By contrast, in 2017, we did not have any time slot purchase fees for “Chef in the House” because of our commercial negotiations. In this program, we mainly conducted production work and were not responsible for attracting sponsorships or advertisements and therefore we did not need to pay such fees. In the same year, we did not have time slot purchase fees for “Hello Food” season 3 due to our work allocation with the TV network, where we were responsible for fees for celebrities and post-production costs, and were not required to pay any time slot purchases fees.

In addition, the amount of time slot purchase fees we record may vary substantially, which may affect our cost of sales. Time slot purchase fees are netted off against our revenue if we receive production and distribution fees from the TV network in the same transaction. For example, in 2016, time slot purchase fees of RMB18.9 million relating to “Hello Food” season 2 were netted off against revenue because, in the same transaction, we received production and distribution fees for this program from the TV network. Similarly, in 2017, 2018, and the eight months ended August 31, 2019, we received production and distribution fees from the TV network in a single transaction for “Hello! Interviewer” and its time slot purchase fees of RMB0.6 million, RMB2.7 million and RMB1.9 million were netted off against revenue, respectively. In addition, in 2019, time slot purchase fees of RMB9.4 million for “To Infinity and Beyond” were netted off for the same reason. By contrast, for programs from which we did not receive production and distribution fees (namely, “Super Show” and “Hey! Let’s Sing”), time slot purchase fees have not been netted off against revenue. For example, in 2016, we recorded time slot purchase fees of RMB8.5 million for “Super Show”. Similarly, in 2018, time slot purchase fees of RMB28.3 million for “Hey! Let’s Sing” were recorded in our cost of sales instead of being net off against revenue because, due to our unique deal structure, we engaged the TV network for production. Since the production and distribution fees were not received from the TV network, the time slot purchase fees have not been netted off.

Gross Profit and Gross Profit Margin

In 2016, 2017 and 2018, and the eight months ended August 31, 2018 and 2019, our gross profit amounted to RMB50.3 million, RMB89.3 million, RMB116.0 million, RMB102.5 million, and RMB90.5 million, respectively, and our gross profit margin was 39.3%, 55.7%, 41.0%, 39.5% and 40.6%, respectively.

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Gross Profit and Gross Profit Margin by Revenue Source

The following table sets forth our gross profit and gross profit margin by revenue source.

	For the year ended December 31,						For the eight months ended August 31,			
	2016		2017		2018		2018		2019	
	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
(RMB in thousands, except percentages)										
(unaudited)										
Content-related	47,514	38.4%	83,418	58.0%	119,861	42.6%	106,436	41.4%	90,505	40.6%
Others	2,748	65.6	5,888	35.3	(3,908)	(207.1)	(3,908)	(207.1)	—	—
Total gross profit/overall gross profit margin	<u>50,262</u>	<u>39.3%</u>	<u>89,306</u>	<u>55.7%</u>	<u>115,953</u>	<u>41.0%</u>	<u>102,528</u>	<u>39.5%</u>	<u>90,505</u>	<u>40.6%</u>

The gross profit margin of our content-related services is primarily affected by the gross profit margin of each of the programs we released in each year or period. See “— Gross Profit and Gross Profit Margin by Type of Program” and “— Discussion of Historical Operating Results.” The gross profit margin of our other services is primarily driven by the composition of services provided for the year or period. In 2018, we recorded a gross loss in relation to our other services primarily because we incurred some costs on preliminary preparation for a program which we subsequently decided not to proceed with, and such costs were recorded as costs relating to other services. See “— Discussion of Historical Operating Results.”

Gross Profit and Gross Profit Margin by Type of Program

The following table sets forth the components of our content-related gross profit and gross profit margin by type of program for the period indicated.

	For the year ended December 31,						For the eight months ended August 31,			
	2016		2017		2018		2018		2019	
	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
(RMB in thousands, except percentages)										
(unaudited)										
TV programs	47,514	38.4%	82,964	58.2%	120,594	43.1%	107,841	42.0%	89,356	44.7%
Made-for-internet programs	—	—	454	43.0	(733)	(62.4)	(1,405)	(279.3)	1,149	5.0
Total gross profit/overall gross profit margin	<u>47,514</u>	<u>38.4%</u>	<u>83,418</u>	<u>58.0%</u>	<u>119,861</u>	<u>42.6%</u>	<u>106,436</u>	<u>41.4%</u>	<u>90,505</u>	<u>40.6%</u>

As compared to made-for-internet programs, TV programs generally require more financial investments but eventually offer higher gross profit. Made-for-internet programs have been an emerging program format with an evolving monetization model. Our revenue from made-for-internet programs may be subject to greater uncertainty as our fee is generally in the form of revenue sharing based on the number of views. During the Track Record Period, we recorded an overall gross loss of RMB275,000 for “Fall of a KOL” and RMB2.8 million for “Beijing Drifters’ Love Story” due to our revenue sharing arrangement. For “Fall of a KOL,” we recorded a gross loss of RMB733,000 in 2018, which was partially offset by the gross profit we recorded for this program in 2017 and the eight

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months ended August 31, 2019. We incurred gross losses on these programs primarily because the relevant costs were recognized when the program was released and such costs exceeded revenue generated from these programs, which was determined based on the number of views after the programs were released. Going forward, to ensure profitability, we will seek to increasingly negotiate for either a lump sum fee or a combination of minimum guarantee and revenue sharing based on the number of views.

Other Net Income

The following table sets forth the components of our other net income for the period indicated.

	For the year ended December 31,			For the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands)			(unaudited)	
Advertising agency income	—	—	10,377	9,020	—
Gain on disposal of a subsidiary	—	—	681	681	—
Government grants	—	—	500	—	—
Investment income	270	233	—	—	—
Others	—	98	(183)	(413)	443
Total	270	331	11,375	9,288	443

The following is a brief description of the components of our other net income:

- *Advertising agency income* — income from a one-off transaction in relation to the resale of certain TV advertising time slots. We purchased from a satellite TV station to assist the TV station in obtaining advertisers for certain TV advertising time slots. These time slots were unrelated to our program portfolio and we engaged in this one-time transaction during our business cooperation with the TV network while producing one of our programs. We have not engaged in similar transactions since then as this is not our primary business activity. As advised by our PRC Legal Advisers, there are no restrictions under relevant PRC laws and regulations on the resale of TV advertising time slots;
- *Gain on disposal of a subsidiary* — net gain from the disposal of a subsidiary to an Independent Third Party to strategically focus our resources on operating content in our portfolio;
- *Government grants* — government subsidies granted to encourage the development of our industry;
- *Investment income* — interest income from loan to a third party. As advised by our PRC Legal Advisers, such loan arrangements are valid and enforceable under the PRC laws; and
- *Others* — mainly include (i) income generated from subleasing office space; (ii) additional deduction of input VAT; and (iii) expenses paid to the landlord of our office premises for early termination of a lease.

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Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of (i) staff costs of our content development, production and sales and marketing employees; (ii) marketing and promotion expenses for our programs; and (iii) traveling and transportation expenses. The following table sets forth the components of our selling and marketing expenses for the period indicated.

	For the year ended December 31,						For the eight months ended August 31,			
	2016		2017		2018		2018		2019	
	(RMB in thousands, except percentages)									
	(unaudited)									
Staff costs	1,485	12.8%	4,358	37.7%	6,498	81.6%	3,850	75.6%	5,388	89.2%
Marketing and promotion expenses	10,059	87.0	6,954	60.1	1,102	13.8	913	17.9	471	7.8
Traveling and transportation expenses	—	—	112	1.0	173	2.2	157	3.1	131	2.2
Others	22	0.2	135	1.2	195	2.4	172	3.4	47	0.8
Total	11,566	100.0%	11,559	100.0%	7,968	100.0%	5,092	100.0%	6,037	100.0%

Our selling and marketing expenses may vary significantly depending on the commercial terms of the program we release, particularly with respect to marketing and promotion expenses, including expenses on placing advertisements of the programs and holding offline promotional events. As a percentage of our revenue, our selling and marketing expenses represented 9.0%, 7.2%, 2.8%, 2.0% and 2.7% for the years ended December 31, 2016, 2017 and 2018 and the eight months ended August 31, 2018 and 2019, respectively. Our selling and marketing expenses as a percentage of revenue was relatively high in 2016 due to the release of “Hello Food,” as we allocated additional advertising resources to promote our first program. In addition, our selling and marketing expenses as a percentage of revenue was relatively low in 2018 and the eight months ended August 31, 2019 because we were not responsible for the promotion and advertising activities for “Hey! Let’s Sing” in 2018 and “Oh! My Boss” in 2019, whereas on most deals we are responsible for the expenses for these activities. See “Business — Sales and Contracts.”

General and Administrative Expenses

Our general and administrative expenses primarily consisted of (i) loss allowance for trade and other receivables; (ii) staff costs for our administrative staff; (iii) depreciation and amortization; (iv) rent, office, transportation and travel expenses; (v) professional services fees for legal and accounting services; and (vi) listing expenses for the Global Offering. For more information on our trade receivables, see “— Discussion of Certain Balance Sheet Items — Trade Receivables.”

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The following table sets forth the components of our general and administrative expenses for the period indicated.

	For the year ended December 31,						For the eight months ended August 31,			
	2016		2017		2018		2018		2019	
	(RMB in thousands, except percentages) (unaudited)									
Loss allowance for trade and other receivables	10,981	69.2%	8,443	49.0%	11,138	41.9%	25,779	70.4%	(4,329)	(25.0)%
Staff costs	1,213	7.6	3,209	18.6	5,409	20.3	4,169	11.4	4,723	27.3
Depreciation and amortization	883	5.6	2,081	12.1	3,545	13.3	2,336	6.4	3,612	20.9
Rent, office, transportation and travel expenses	1,403	8.8	1,725	10.0	2,867	10.8	2,069	5.7	1,966	11.4
Professional services fee	802	5.1	1,444	8.4	1,218	4.6	1,063	2.9	736	4.3
Listing expenses	—	—	—	—	—	—	—	—	8,974	51.9
Others	590	3.7	320	1.9	2,416	9.1	1,189	3.2	1,600	9.2
Total	15,872	100.0%	17,222	100.0%	26,593	100.0%	36,605	100.0%	17,282	100.0%

As a percentage of our revenue, our general and administrative expenses represented 12.4%, 10.8%, 9.4%, 14.1% and 7.8% in 2016, 2017 and 2018 and eight months ended August 31, 2018 and 2019, respectively. As a percentage of our revenue, our general and administrative expenses were relatively low for the eight months ended August 31, 2019 mainly due to a reversal of loss allowance for trade and other receivables mainly because we increased collection efforts for long-aging receivables, partially offset by the listing expenses we incurred during this period in relation to the Global Offering.

Net Finance Expenses

Our net finance expenses represent the net result of (i) interest income on bank deposits; (ii) interest expenses on bank loans and other borrowings, loans from third parties, loan from a shareholder, and amounts due to Mr. Liu; (iii) interest on lease liabilities; and (iv) net foreign exchange gain from the appreciation of certain U.S. dollar bank deposits due to U.S. dollar to Renminbi exchange rate fluctuations. The following table sets forth the components of our net finance expenses for the period indicated.

	For the year ended December 31,			For the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands) (unaudited)				
Interest income on bank deposits	(10)	(22)	(102)	(23)	(16)
Interest expenses	4,527	3,320	1,999	1,201	5,186
Interest on lease liabilities ..	60	279	530	373	595
Net foreign exchange gain ..	—	—	—	—	(250)
Total	4,577	3,577	2,427	1,551	5,515

Income Tax Credit/(Expense)

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, we are not subject to any income tax in the Cayman Islands and British Virgin Islands. We had no assessable

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profit in Hong Kong during the Track Record Period and is not subject to any Hong Kong profits tax. Other than Yili Zhongsheng, our PRC Operating Entities are subject to standard EIT rate of 25% under EIT law.

Our effective tax rates were 25.1%, 2.1%, 5.1%, (2.7)% and 24.8% in 2016, 2017, 2018, and the eight months ended August 31, 2018 and 2019, respectively, calculated based on actual tax credit/ (expense) divided by profit before income tax for the same period. One of our PRC Operating Entities, Yili Zhongsheng, began to enjoy preferential tax treatment at the end of 2016 and is exempted from EIT from 2016 to 2020. We recorded an income tax credit of RMB1.9 million for the eight months ended August 31, 2018, mainly because (i) our Beijing operating entity, Zhongguang Yusheng, recognized a deferred tax asset; and (ii) our profit for the eight months ended August 31, 2018 was mainly generated through Yili Zhongsheng, which is exempted from EIT. Beginning in 2018, as our operations expanded rapidly, we decided to centralize our business through Zhongguang Yusheng to facilitate our management of growing operations. Zhongguang Yusheng is subject to the standard EIT rate of 25%. In addition, for the eight months ended August 31, 2019, Zhongguang Yusheng recorded certain non-deductible expenses, which mainly represented listing expenses. As a result, we incurred RMB15.4 million in income tax expenses for the eight months ended August 31, 2019.

We have made all the required tax filings with the relevant tax authorities in the PRC and we are not aware of any outstanding or potential disputes with such tax authorities.

DISCUSSION OF HISTORICAL OPERATING RESULTS

Eight Months Ended August 31, 2019 Compared to Eight Months Ended August 31, 2018

Revenue

Our revenue decreased by 14.1% from RMB259.3 million for the eight months ended August 31, 2018 to RMB222.7 million for the eight months ended August 31, 2019 due to the decrease in revenue from content-related services and other services.

Revenue from Content-related Services

Revenue from content-related services decreased by 13.5% from RMB257.4 million for the eight months ended August 31, 2018 to RMB222.7 million for the eight months ended August 31, 2019. This decrease was primarily attributable to a RMB47.2 million decrease in advertising revenue due to differences in the scheduled broadcast of our programs from period to period. A number of our programs, such as “Oh! My Boss” and “To Infinity and Beyond,” were not scheduled to be released during the eight months ended August 31, 2019 and therefore did not generate any advertising revenue, whereas two of our programs were broadcast during the eight months ended August 31, 2018 and recorded advertising revenue in that period. This decrease was partially offset by an increase in revenue from media platforms as we produced and delivered more episodes of “Hello! Interviewer” and a significant number of episodes of “To Infinity and Beyond”, “Oh! My Boss” and other programs for the eight months ended August 31, 2019. See also “— Revenue — Revenue by Program.”

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Revenue from Other Services

Revenue from other services decreased from RMB1.9 million for the eight months ended August 31, 2018 to nil for the eight months ended August 31, 2019 because we did not provide any other services for the eight months ended August 31, 2019.

Cost of Sales

Our cost of sales decreased by 15.7% from RMB156.8 million for the eight months ended August 31, 2018 to RMB132.2 million for the eight months ended August 31, 2019. This decrease was mainly because for the eight months ended August 31, 2018, we released “Hey! Let’s Sing”, which incurred significant costs as it is a larger-scale program with higher costs associated with celebrity guests, studio set design and post-production work, whereas for the eight months ended August 31, 2019, the costs of sales in relation to “To Infinity and Beyond”, “Renascence” and “Beijing Drifters’ Love Story” were relatively low as these programs are generally of a smaller scale.

In terms of cost by nature, our cost of sales decreased from the eight months ended August 31, 2018 to the same period in 2019 primarily because we did not record any time slot purchase fee in our cost of sales for the eight months ended August 31, 2019 as we did not have any time slot purchase fees for “Oh! My Boss”, “To Infinity and Beyond”, “Renascence”, and “Beijing Drifters’ Love Story” and the time slot purchase fees for “Hello Interviewer” were netted off against revenue. This decrease was partially offset by a RMB14.9 million increase in production costs as we produced more programs for the eight months ended August 31, 2019.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 11.7% from RMB102.5 million for the eight months ended August 31, 2018 to RMB90.5 million for the eight months ended August 31, 2019 mainly because we did not record any significant advertising revenue during the eight months ended August 31, 2019, which we generally begin to recognize after a program is broadcast and as a number of programs, such as “Oh! My Boss” and “To Infinity and Beyond”, were not scheduled to be released during this period. Our overall gross profit margin remained relatively stable at 39.5% and 40.6% for the eight months ended August 31, 2018 and 2019, respectively.

Other Net Income

Our other net income decreased from RMB9.3 million for the eight months ended August 31, 2018 to RMB0.4 million for the eight months ended August 31, 2019 primarily because, for the eight months ended August 31, 2018, we recorded (i) RMB9.0 million in income from sale of TV advertising time slots; and (ii) RMB0.7 million from the disposal of a subsidiary to an Independent Third Party, which were one-off in nature.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 18.6% from RMB5.1 million for the eight months ended August 31, 2018 to RMB6.0 million for the eight months ended August 31, 2019. The increase was primarily attributable to a RMB1.5 million increase in staff costs as we hired additional sales and marketing personnel to support our business expansion, partially offset by a RMB0.4 million decrease in program-related marketing and promotion expenses.

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General and Administrative Expenses

Our general and administrative expenses decreased from RMB36.6 million for the eight months ended August 31, 2018 to RMB17.3 million for the eight months ended August 31, 2019, primarily because we recorded a reversal of loss allowance for trade and other receivables in the amount of RMB4.3 million for the eight months ended August 31, 2019 as we increased collection efforts and collected certain long-aging receivables, whereas we recorded loss allowance of RMB25.8 million for the same period in 2018. This decrease was partially offset by the listing expenses that we recorded for the eight months ended August 31, 2019, which we did not have for the eight months ended August 31, 2018.

Net Finance Expenses

Our net finance expenses increased from RMB1.6 million for the eight months ended August 31, 2018 to RMB5.5 million for the eight months ended August 31, 2019. This increase primarily reflects an increase in the average balance of borrowings in 2019.

Income Tax Credit/(Expense)

We recorded an income tax credit of RMB1.9 million for the eight months ended August 31, 2018 mainly because (i) our Beijing operating entity, Zhongguang Yusheng, recognized a deferred tax asset; and (ii) our profit for the eight months ended August 31, 2018 was mainly generated through Yili Zhongsheng, which is exempted from EIT. For the eight months ended August 31, 2019, we incurred an income tax expense of RMB15.4 million primarily because, since 2018, we gradually transferred our business to our Beijing operating entity, Zhongguang Yusheng, which is subject to the standard EIT rate of 25%. In addition, for the eight months ended August 31, 2019, Zhongguang Yusheng recorded certain non-deductible expenses, which mainly represented listing expenses. For these reasons, our effective tax rate was (2.7)% for the eight months ended August 31, 2018 and 24.8% for the eight months ended August 31, 2019.

Profit for the Period

As a result of the foregoing, our profit for the period decreased from RMB70.4 million for the eight months ended August 31, 2018 to RMB46.7 million for the eight months ended August 31, 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 76.4% from RMB160.4 million in 2017 to RMB282.9 million in 2018, primarily reflecting a RMB137.3 million increase in revenue from content-related services, partially offset by a RMB14.8 million decrease in revenue from other services.

Revenue from Content-related Services

Revenue from content-related services increased significantly by 95.5% from RMB143.7 million in 2017 to RMB281.0 million in 2018. This increase was primarily due to (i) the release of a new program named “Hey! Let’s Sing” in 2018, which contributed RMB182.9 million in revenue; and

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(ii) a RMB80.7 million increase in revenue generated from “Hello! Interviewer” in 2018 as we produced and delivered more episodes in 2018 as compared to 2017. On the other hand, in 2017, we generated revenue from “Hello Food” for RMB124.0 million and “Chef in the House” for RMB2.5 million, which we did not have in 2018. See also “— Revenue — Revenue by Program.”

Revenue from Others

Revenue from other services decreased from RMB16.7 million in 2017 to RMB1.9 million in 2018, primarily because we concentrated on the development of our own programs in 2018, and as a result (i) our program production for third parties decreased; and (ii) our sales of intellectual property rights decreased.

Cost of Sales

Our cost of sales increased by 134.8% from RMB71.1 million in 2017 to RMB167.0 million in 2018 primarily due to the increase in the cost of content-related services. The increase was primarily attributable to (i) the release of a new program named “Hey! Let’s Sing” in 2018 which incurred significant costs as it is a larger-scale program with higher costs associated with celebrity guests, studio set design and post-production work as compared to our other programs released in 2017; and (ii) an increase in cost of sales for “Hello! Interviewer” in 2018 as we produced and delivered more episodes in 2018 as compared to 2017. On the other hand, we recorded cost of sales in 2017 for “Hello Food” and “Chef in the House,” which we did not incur in 2018.

In terms of cost by nature, our cost of sales increased from 2017 to 2018 primarily because (i) our production costs increased by RMB88.7 million, which was because we engaged Jiangsu Satellite TV to produce and distribute “Hey! Let’s Sing” and recorded all of the costs relating to this program as production costs; and (ii) we recorded a RMB28.3 million time slot purchase fee for “Hey! Let’s Sing”. The increase in our cost of sales was partially offset by a RMB15.2 million decrease in fees for celebrities, because such fees were included in the production costs paid to Jiangsu Satellite TV for “Hey! Let’s Sing”, and “Hello! Interviewer” is not designed to have other celebrity guests except for the host on the program.

Gross Profit and Gross Profit Margin

Our gross profit increased by 29.8% from RMB89.3 million in 2017 to RMB116.0 million in 2018. Our gross profit margin decreased from 55.7% in 2017 to 41.0% in 2018, primarily because “Hello Food”, the main contributor to our gross profit in 2017, had a relatively higher gross profit margin compared to “Hello! Interviewer”, a major contributor to our gross profit in 2018. This was primarily due to a combination of increasing pricing power with the media platform and corporate sponsors and increasing number of advertisers for the second season of “Hello Food”, as well as cost savings related to the studio set constructed for “Hello Food” in 2017. In addition, our gross profit margin decreased in 2018 because “Hey! Let’s Sing”, our newly released program in 2018, had a relatively low gross profit margin because it was a large-scale program with higher costs associated with celebrity guests, studio set design and post-production editing.

Other Net Income

Our other net income increased from RMB0.3 million in 2017 to RMB11.4 million in 2018 primarily because in 2018, we recorded (i) RMB10.4 million in income from sales of TV advertising

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time slots; (ii) RMB0.7 million in gains on the disposal of a subsidiary to an Independent Third Party; and (iii) RMB0.5 million in government grants. This increase was partially offset by other net expenses in 2018, which primarily included the early termination fees paid to the landlord of our office premises.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 31.1% from RMB11.6 million in 2017 to RMB8.0 million in 2018 primarily because in our business deal for “Hey! Let’s Sing,” we were not responsible for selling and marketing activities and its costs, and as such, we did not incur such expenses. See “— Description of Income Statement Line Items — Selling and Marketing Expenses.”

General and Administrative Expenses

Our general and administrative expenses increased by 54.4% from RMB17.2 million in 2017 to RMB26.6 million in 2018. This increase was primarily attributable to a combination of (i) a RMB2.7 million increase in loss allowance for trade and other receivables; (ii) a RMB2.2 million increase in staff costs due to salary increases for employees and hiring of new employees; (iii) a RMB2.1 million increase in other miscellaneous expenses, which primarily consisted of business tax expenses; and (iv) a RMB1.5 million increase in depreciation and amortization.

Net Finance Expenses

Our net finance expenses decreased by 32.1% from RMB3.6 million in 2017 to RMB2.4 million in 2018, primarily because (i) we obtained other borrowings in 2017, which had a relatively higher interest rate; and (ii) the RMB20.0 million loan from a shareholder was obtained in November 2018, which did not incur a large amount of interest expenses in 2018.

Income Tax Expense

Our income tax expenses increased significantly from RMB1.2 million in 2017 to RMB4.6 million in 2018, primarily due to increased business conducted through our Beijing operating entity, Zhongguang Yusheng since 2018, as our operations expanded rapidly. As a result, our effective tax rate increased from 2.1% in 2017 to 5.1% in 2018.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 52.9% from RMB56.1 million in 2017 to RMB85.7 million in 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 25.5% from RMB127.8 million in 2016 to RMB160.4 million in 2017, primarily reflecting a RMB20.1 million increase in revenue from content-related services and a RMB12.5 million increase in revenue from other services.

Revenue from Content-related Services

Revenue from content-related services increased by 16.2% from RMB123.6 million in 2016 to RMB143.7 million in 2017. This increase was due to (i) an increase in revenue generated from “Hello

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Food” in 2017 from RMB107.7 million in 2016 to RMB124.0 million in 2017 because we generated more revenue from advertising, production and distribution reflecting our increasing pricing power; and (ii) we released several new programs in 2017 named “Hello! Interviewer,” “Chef in the House” and “Fall of a KOL” series, which contributed RMB16.3 million, RMB2.5 million and RMB1.1 million to our revenue, respectively.

Revenue from Other Services

Revenue from other services increased from RMB4.2 million in 2016 to RMB16.7 million in 2017, primarily because in 2017, we generated revenue from sales of intellectual property rights and program production, for RMB9.9 million and RMB6.6 million, respectively.

Cost of Sales

Our cost of sales decreased by 8.3% from RMB77.6 million for the year ended December 31, 2016 to RMB71.1 million for the year ended December 31, 2017, primarily due to the relatively low costs for programs released (including “Hello Food,” “Hello! Interviewer,” and “Chef in the House”) in 2017, as compared to 2016. We incurred lower cost for “Hello Food” in 2017 as compared to 2016 as we were able to leverage on the studio set designed and constructed in the previous season. Our costs for “Hello! Interviewer” and “Chef in the House” were relatively low because these programs are not designed to have celebrity guests (except for the host in the case of “Hello! Interviewer”).

In terms of cost by nature, our cost of sales decreased from 2016 to 2017 primarily because (i) we did not record any time slot purchase fee in 2017, which we recorded in the amount of RMB11.8 million in 2016 for “Super Show”, and “Hello Food” season 1; and (ii) our production costs decreased for “Hello Food” for the reason discussed above. The decrease in our cost of sales was partially offset by an increase in costs relating to other services of RMB9.4 million, primarily in relation to the production of three movies.

Gross Profit and Gross Profit Margin

Our gross profit increased by 77.7% from RMB50.3 million for the year ended December 31, 2016 to RMB89.3 million for the year ended December 31, 2017, and our gross profit margin increased from 39.3% in 2016 to 55.7% in 2017, primarily because (i) our gross profit and gross profit margin increased in “Hello Food” in 2017 as compared to “Hello Food” in 2016 primarily due to a combination of increasing pricing power and the cost savings related to our studio set constructed for “Hello Food” in 2017; and (ii) we released “Hello! Interviewer” in 2017, which had a relatively high gross profit margin than other programs because it was not designed to have celebrity guests except for the host of the program.

Other Net Income

Our other net income remained relatively stable at RMB0.3 million in 2016 and 2017.

Selling and Marketing Expenses

Our selling and marketing expenses remained stable at RMB11.6 million in 2016 and 2017. We had a RMB2.9 million increase in staff costs as we hired additional sales and marketing personnel to support our business expansion, partially offset by a RMB3.1 million decrease in marketing and

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promotion expenses as work/career programs such as “Hello! Interviewer” in 2017 generally requires less marketing and promotion activities as compared to programs of other genres.

General and Administrative Expenses

Our general and administrative expenses increased by 8.5% from RMB15.9 million in 2016 to RMB17.2 million in 2017, primarily reflecting (i) a RMB2.0 million increase in staff costs due to salary increases for our administrative staff; and (ii) a RMB1.2 million increase in depreciation and amortization, partially offset by a RMB2.5 million decrease in loss allowance for trade and other receivables.

Net Finance Expenses

Our net finance expenses decreased by 21.8% from RMB4.6 million in 2016 to RMB3.6 million in 2017, primarily due to a decrease in the average balance of loans from third parties in 2017.

Income Tax Expense

Our income tax expenses decreased significantly from RMB4.7 million in 2016 to RMB1.2 million in 2017, primarily because one of our PRC Operating Entities, Yili Zhongsheng, began to enjoy preferential tax treatment in 2016. As a result, our effective tax rate decreased from 25.1% in 2016 to 2.1% in 2017.

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly from RMB13.9 million in 2016 to RMB56.1 million in 2017.

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DISCUSSION OF CERTAIN BALANCE SHEET ITEMS

The following is a summary of our consolidated statement of financial position as of the date indicated.

	As of December 31,			As of August 31,
	2016	2017	2018	2019
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment	770	1,976	1,515	1,685
Right-of-use assets	1,009	12,423	9,483	18,677
Deferred tax assets	3,013	3,031	867	3,028
Total non-current assets	4,792	17,430	11,865	23,390
Current assets				
Program copyrights	–	17,142	64,390	170,106
Trade receivables	109,342	133,494	203,854	375,726
Prepayments and other receivables	8,946	53,502	27,092	20,047
Cash and cash equivalents	325	21,225	64,368	47,544
Total current assets	118,613	225,363	359,704	613,423
Current liabilities				
Bank loans and other borrowings	–	20,000	30,000	35,000
Contract liabilities	–	2,651	–	10,217
Trade payables	21,877	13,700	5,993	31,908
Accruals and other payables	57,615	10,347	42,715	53,154
Lease liabilities	593	3,822	2,563	5,019
Current taxation	7,462	1,438	2,543	17,314
Total current liabilities	87,547	51,958	83,814	152,612
Net current assets	31,066	173,405	275,890	460,811
Non-current liabilities				
Lease liabilities	412	8,306	5,839	12,862
Total non-current liabilities	412	8,306	5,839	12,862
Net assets	35,446	182,529	281,916	471,339

Right-of-use Assets

As of the lease commencement date, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Our right-of-use assets increased from RMB1.0 million as of December 31, 2016 to RMB12.4 million as of December 31, 2017, and from RMB9.5 million as of December 31, 2018 to RMB18.7 million as of August 31, 2019, primarily because we entered into more office leases during these periods. Our right-of-use assets decreased from RMB12.4 million as of December 31, 2017 to RMB9.5 million as of December 31, 2018 primarily due to the accumulated depreciation of our right-of-use assets.

Program Copyrights

Our program copyrights represented, as of each balance sheet date, (i) the copyright for programs which have received our internal project approval, but for which master tapes have not been delivered and accepted by the media platforms; and (ii) once amortization begins after delivery and

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acceptance, over an amortization period of generally one year, the unamortized portion of such copyright. The amortization period is determined based on the length of period during which we expect to generate most of revenue from each program, which is generally during the program's first broadcast. Program copyrights consisted of (i) programs under production; and (ii) programs that have completed production. The following table sets forth the components of our program copyrights as of the date indicated.

	As of December 31,			As of August 31,
	2016	2017	2018	2019
	(RMB in thousands)			
Programs under production	–	12,302	53,622	170,106
Completed programs	–	4,840	10,768	–
Total	–	17,142	64,390	170,106
Program copyright turnover days ⁽¹⁾	6	44	89	216

(1) Program copyright turnover days are calculated by dividing the average program copyright balance at the beginning and the end of the period by total cost of sales during the relevant period and multiplied by 365 days for 2016, 2017, and 2018 and by 243 days for the eight months ended August 31, 2019.

Our program copyright was nil as of December 31, 2016. As of December 31, 2017, our program copyrights increased to RMB17.1 million, primarily because (i) we began to incur costs, making first payments to suppliers to produce “Beijing Drifters’ Love Story” in May 2017, which was released in February 2019 in line with our anticipated program timeline; and (ii) we completed production of “Hello! Interviewer” season 1, but had not delivered the master tape for certain episodes as of December 31, 2017. Our program copyright assets increased from RMB17.1 million as of December 31, 2017 to RMB64.4 million as of December 31, 2018, mainly because we engaged in program development for “The Taste of Time” season 1, “Urban Hero — The Stories at a Police Station” and “Mind the Gap” during this period. As of the Latest Practicable Date, we had released “The Taste of Time” season 1 and completed filming of “Mind the Gap”, and we had entered into an LOI for “Urban Hero — The Stories at a Police Station”.

Our program copyrights further increased from RMB64.4 million as of December 31, 2018 to approximately RMB170.1 million as of August 31, 2019 mainly because we engaged in program development for “Mind the Gap” and “Our Bands” during this period. As of the Latest Practicable Date, we had entered into definitive contracts for “Mind the Gap”, which is expected to be completed (including completion of post-production editing works) in March 2020 and released in the third quarter of 2020, and we had entered into definitive contracts with respect to “Our Bands” which is expected to be completed and released in the first quarter of 2020. Moreover, our program copyrights as of August 31, 2019 was relatively high because “The Taste of Time” and “Urban Hero — The Stories at a Police Station” remained in our program copyrights since December 31, 2018 as they are scheduled to be released after August 31, 2019. “The Taste of Time” was released in November 2019 and “Urban Hero — The Stories at a Police Station” is expected to be completed and released in the fourth quarter of 2020. As of August 31, 2019, we did not have any completed programs.

Our program copyright turnover days increased from six days in 2016 to 44 days in 2017, 89 days in 2018 and further to 216 days for the eight months ended August 31, 2019. Such increase was primarily due to the continued growth of our pipeline of new programs under production. Our

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program copyright turnover days increased significantly for the eight months ended August 31, 2019 because we are generally in the process of producing programs at this time of year and our program copyrights as of August 31, 2019 were scheduled to be released after August 31, 2019, some were even scheduled to be released in 2020 due to delay in broadcast schedule and long regulatory approval time as it is related to police/crime.

The following table sets forth an aging analysis⁽¹⁾ of our program copyrights as of the date indicated.

	<u>Within 3 months</u>	<u>3 months to 6 months</u>	<u>6 months to 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
	(RMB in thousands)				
As of December 31, 2016					
Programs under production	–	–	–	–	–
Completed programs	–	–	–	–	–
<i>Subtotal</i>	–	–	–	–	–
As of December 31, 2017					
Programs under production	7,977	3,244	1,081	–	12,302
Completed programs	4,840	–	–	–	4,840
<i>Subtotal</i>	12,817	3,244	1,081	–	17,142
As of December 31, 2018					
Programs under production	3,869	19,714	27,352	2,687	53,622
Completed programs	2,909	149	53	7,657	10,768
<i>Subtotal</i>	6,778	19,863	27,405	10,344	64,390
As of August 31, 2019					
Programs under production	81,116	34,450	15,721	38,819	170,106
Completed programs	–	–	–	–	–
<i>Subtotal</i>	81,116	34,450	15,721	38,819	170,106

(1) Aging of program copyrights commences based on the transaction date.

Program copyrights aged over 1 year as of December 31, 2018 was primarily attributable to (i) “Mr. Cat”, which has a relatively long development period because it requires more time to develop the script based on the demands of the media platform and build up popularity of the character with the audience; (ii) “The Taste of Time”, which has a relatively long development period because we engaged in a lengthy program development process with our customer to meet its changing needs. Program copyrights aged over 1 year as of August 31, 2019 was primarily attributable to (i) “Urban Hero — The Stories at a Police Station”, which has relatively long development period because it is related to police/crime, which typical has a longer approval time; (ii) “The Taste of Time”, which has a relatively long development period because we engaged in a lengthy program development process with our customer to meet its changing needs; (iii) “Correct My Chinese”, which has a relatively long development period because it has educational features, which requires more time to research and develop the program content.

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The following table sets forth the movement of our program copyrights for the period indicated.

	As of/for the year ended December 31,			As of/for the eight months ended August 31,
	2016	2017	2018	2019
	(RMB in thousands)			
At the start of the period	2,347	–	17,142	64,390
Additions	61,996	88,179	185,923	237,919
Recognized as cost of sales	(64,343)	(71,037)	(138,675)	(132,203)
At the end of the period	<u>–</u>	<u>17,142</u>	<u>64,390</u>	<u>170,106</u>

As of December 31, 2019, 92.0% of our program copyrights as of December 31, 2017 were subsequently consumed. The unconsumed portion primarily relate to “Mr. Cat”, which has a relatively long development period because it requires more time to develop the script based on the demands of the media platforms and build up popularity of the character with the audience. As of December 31, 2019, 46.5% of our program copyrights as of December 31, 2018 were subsequently consumed. The unconsumed portion primarily relate to (a) “Urban Hero — The Stories at a Police Station” and “Mind the Gap”, which has relatively long development period because it is related to police/crime, which typical has a longer approval time; (b) “Correct My Chinese”, which has a relatively long development period because it has educational features, which requires more time to research and develop the program content. As of December 31, 2019, RMB19.2 million, or 11.3%, of our program copyrights as of August 31, 2019 were subsequently consumed, primarily attributable to a program aged over 1 year as of August 31, 2019, namely, “The Taste of Time”, which was released in November 2019. The remaining 88.7% program copyrights as of August 31, 2019 that were not consumed as of December 31, 2019 were related to certain programs under production, primarily due to (i) the delay in release schedule of “Our Bands” from December 2019 to the first quarter of 2020, which was aged below 6 months; and (ii) the continued production of “Mind the Gap” and “Urban Hero — The Stories at a Police Station”, which has relatively long development period because it is related to police/crime, which typical has longer approval time. For “Mind the Gap”, over RMB80 million of the program copyright balance was aged below 3 months. “Mind the Gap” and “Urban Hero — The Stories at a Police Station” represented 80% of the remaining unconsumed portion of program copyrights aged over 6 months and are expected to be released in the third and fourth quarter of 2020, respectively.

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The following table sets forth the program copyright balance, and the broadcasting schedule for the programs of which the program copyright balances exceeded 5% of the total balance of program copyright as of August 31, 2019:

Name of program	Program copyright as of August 31, 2019 (RMB'000)	Release schedule as of the Latest Practicable Date
Mind the Gap (一念無間)	95,361	2020 3Q
Our Bands (我們的樂隊) (Hey! Let's Sing 2)	30,320	2020 1Q
The Taste of Time (穿越時間的味道)	18,951	Released in November 2019
Urban Hero – The Stories at a Police Station (城市英雄之派出所故事)	15,888	2020 4Q
Sub-total	160,520	
Others	9,586	
Total	<u>170,106</u>	

Trade Receivables

Our trade receivables represent outstanding amounts due from our customers. During the Track Record Period, we generally granted a credit period ranging from 30 days to 90 days from the date of billing to our customers. In practice, however, collection period for certain customers, particularly TV networks, may be significantly longer than the credit period stated in our agreements. As of December 31, 2016, 2017, 2018 and August 31, 2019, our trade receivables due from TV networks represented 78.3%, 61.4%, 87.7% and 94.2% of our total trade receivables (before deduction of loss allowance), respectively. The long payment period, according to the F&S Report, is not uncommon among suppliers to TV networks in China.

The following table sets forth the components of our trade receivables based on the transaction date as of the date indicated.

	As of December 31,			As of August 31,
	2016	2017	2018	2019
	(RMB in thousands)			
Content-related				
— TV networks	95,000	94,438	206,361	379,028
— Non-TV networks ⁽¹⁾	22,970	54,018	21,005	22,726
Others ⁽²⁾	3,289	5,428	7,907	407
Subtotal	121,259	153,884	235,273	402,161
Less: Loss allowance	(11,917)	(20,390)	(31,419)	(26,435)
Total	<u>109,342</u>	<u>133,494</u>	<u>203,854</u>	<u>375,726</u>

(1) Consisted of online video platforms, advertising agents representing corporate sponsors, and Kugou Music, to whom we sold a majority interest in intellectual property rights.

(2) Primarily consisted of advertising agent companies in relation to the one-off sale of TV advertising time slots that are unrelated to our program portfolio, film and video production companies and other third parties.

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The following table sets forth our trade receivables turnover days for the period indicated.

	For the year ended December 31,			For the eight months ended August 31,
	2016	2017	2018	2019
Content-related				
— TV networks ⁽¹⁾	387	424	516	372
— Non-TV networks ⁽¹⁾	72	226	78	169
Others ⁽¹⁾	161	95	N/A ⁽²⁾	N/A ⁽³⁾
Overall trade receivables turnover days ⁽¹⁾	202	276	218	316

- (1) Average trade receivables turnover days for TV networks, non-TV networks and others are calculated by dividing the average of beginning and ending trade receivable balances (before deduction of loss allowance) by revenue for the relevant period and multiplied by 365 days for 2016, 2017, and 2018 and by 243 days for the eight months ended August 31, 2019. Overall trade receivable turnover days is calculated with trade receivable balances net of loss allowance.
- (2) Not applicable because it is related to resale of certain TV advertising time slots, and we recognized such income as other net income instead of revenue.
- (3) Not applicable because we did not generate such revenue in the eight months ended August 31, 2019.

The following table sets forth an aging analysis of our overall trade receivables, based on the transaction date and net of loss allowance, as of the date indicated.

	As of December 31,			As of August 31,	Subsequent settlement as of December 31,
	2016	2017	2018	2019	2019 ⁽¹⁾
	(RMB in thousands)				
Within 1 month	910	17,856	63,612 ⁽²⁾	131,720	38,849
1 month to 3 months	12,832	3,225	14,908	24,063	24,063
3 months to 6 months	76,150	38,078	35,630	92,251	—
6 months to 1 year	9,817	34,496	78,957	30,477	—
1 to 2 years	21,550	60,033	41,937	117,243	63,715
2 to 3 years	—	196	33	6,178	6,000
Over 3 years	—	—	196	229	—
Less: Loss allowance	(11,917)	(20,390)	(31,419)	(26,435)	—
Total	109,342	133,494	203,854	375,726	132,627

- (1) Represents the subsequent settlement of our trade receivables as of August 31, 2019.
- (2) Includes RMB60.0 million in trade receivables transferred from a customer to an Independent Third Party, which had been settled in full as of August 31, 2019.

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The following tables set forth an aging analysis of our trade receivables by customer type, based on the transaction date before deduction of loss allowance, as of the date indicated.

	As of December 31,			As of August 31,
	2016	2017	2018	2019
	(RMB in thousands)			
TV network				
Within 1 month	–	7,500	63,611 ⁽¹⁾	115,000
1 month to 3 months	5,000	1,875	14,389	24,063
3 months to 6 months	60,000	23,077	34,591	92,250
6 months to 1 year	8,846	1,986	69,707	30,472
1 to 2 years	21,154	60,000	24,063	117,243
2 to 3 years	–	–	–	–
Over 3 years	–	–	–	–
Total	95,000	94,438	206,361	379,028

	As of December 31,			As of August 31,
	2016	2017	2018	2019
	(RMB in thousands)			
Non-TV network				
Within 1 month	650	5,335	1	16,720
1 month to 3 months	5,232	1,350	519	–
3 months to 6 months	16,150	14,823	1,039	1
6 months to 1 year	938	32,510	1,750	5
1 to 2 years	–	–	17,696	–
2 to 3 years	–	–	–	6,000
Over 3 years	–	–	–	–
Total	22,970	54,018	21,005	22,726

	As of December 31,			As of August 31,
	2016	2017	2018	2019
	(RMB in thousands)			
Others				
Within 1 month	260	5,021	–	–
1 month to 3 months	2,600	–	–	–
3 months to 6 months	–	178	–	–
6 months to 1 year	33	–	7,500	–
1 to 2 years	396	33	178	–
2 to 3 years	–	196	33	178
Over 3 years	–	–	196	229
Total	3,289	5,428	7,907	407

(1) Includes RMB60.0 million in trade receivables transferred from a customer to an Independent Third Party, which had been settled in full as of August 31, 2019.

Our trade receivables increased by 22.1% from RMB109.3 million as of December 31, 2016 to RMB133.5 million as of December 31, 2017, and our trade receivable turnover days increased from 202 days for 2016 to 276 days for 2017 in line with our business expansion.

Our trade receivables further increased by 52.7% from RMB133.5 million as of December 31, 2017 to RMB203.9 million as of December 31, 2018 because we recorded significant trade

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receivables for production and distribution fees related to “Hello! Interviewer.” Our trade receivable turnover days decreased from 276 days in 2017 to 218 days in 2018, primarily due to the settlement of certain trade receivables related to “Hey! Let’s Sing” in 2018.

Our trade receivables increased from RMB203.9 million as of December 31, 2018 to RMB375.7 million as of August 31, 2019, primarily because we recognized the revenue from media platforms in relation to “Hello! Interviewer”, “To Infinity and Beyond” and “Oh! My Boss” in 2019, which was not yet settled as of August 31, 2019. Our trade receivable turnover days increased from 218 days in 2018 to 316 days for the eight months ended August 31, 2019 primarily due to seasonality, as our customers, including corporate sponsors and media platforms, generally settle a higher proportion of trade receivables in the fourth quarter of the year which is in line with the practice of companies to settle their payables prior to the end of their fiscal year, which is generally December 31. As such, our receivable turnover days are generally in line with the industry norm.

Our trade receivables with long aging periods are generally attributable to TV networks. In general, TV networks in China are state-owned with low credit default risks. Due to the lack of bargaining power, we normally extend the settlement period for trade receivable for our major customers, namely, some leading TV networks in China. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any default in payment from state-owned TV networks as there had been no disputes as to the amounts due and their obligation to pay, and these networks generally have strong financial positions and the ability to pay.

As of December 31, 2019, (i) 99.8% of our total trade receivables (before deduction of loss allowance) as of December 31, 2016 were settled; (ii) 99.7% of our total trade receivables (before deduction of loss allowance) as of December 31, 2017 were settled; and (iii) 66.4% of our total trade receivables (before deduction of loss allowance) as of December 31, 2018 were settled and the unsettled portion was primarily due from a TV-network customer in Shenzhen, which was aged between one to two years as of December 31, 2019. In addition, as of December 31, 2019, the subsequent settlement of our trade receivables as of August 31, 2019 was RMB132.6 million, and accounted for 33.0% of our total trade receivables (before deduction of loss allowance) as of August 31, 2019. The unsettled portion was primarily due from (i) TV-network customers in Shanghai and Jiangsu, which were aged between three to six months as of December 31, 2019; and (ii) a TV-network customer in Shenzhen, which was aged between seven months and two years as of December 31, 2019. As of August 31, 2019, RMB25.3 million of the unsettled amount of RMB176.3 million due from the TV-network customer in Shenzhen was past due between three and nine months, for which impairment provision of RMB9.4 million has been made as of August 31, 2019. Our business relationship with such TV network customer commenced in 2017 with “Hello! Interviewer” Season 1 and our cooperation with such TV-network customer has been stable, as demonstrated by the subsequent launch of “Hello! Interviewer” (Seasons 2-10) since 2018. While state-owned TV-network customers usually have a longer collection period due to their bargaining power and internal procedures, our Directors are of the view that their risk of failing to settle payments is relatively low. On the basis of their communications with the TV-network customer, our Directors expect to collect the unsettled amount attributable to “Hello! Interviewer” (Seasons 2-4) (released in 2018) by mid-2020 and remaining unsettled amount by the end of 2020. In terms of customer type, the subsequent settlement of our trade receivables from TV networks, non-TV networks and others, was RMB126.6 million, RMB6.1 million and nil, accounting for 31.6%, 1.5% and nil of our total trade receivables

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(before deduction of loss allowance) as of August 31, 2019, respectively. The settlement of our trade receivables is affected by seasonality as our customers generally settle a higher proportion of trade receivables in the fourth quarter of the year.

Prepayments and Other Receivables

Our prepayments and other receivables primarily consisted of (i) prepayments to third parties, which represented the prepayments to suppliers, such as talent coordinators, prior to commencement of program production and prepayments to co-investors for program investment; (ii) receivables due from third parties, which primarily included the receivables from disposal of a subsidiary, rental deposits, and short term loans we lent to suppliers and business partners; and (iii) loan to a third party, Beijing Ruihe JinKong Investment Consultant Co., Ltd. (北京睿和金控投資顧問有限公司), a business acquaintance of Mr. Liu, in 2016. The loan bore interest at a rate of 6% per year and was repaid in 2017.

The following table sets forth the components of our prepayments and other receivables as of the date indicated.

	As of December 31,			As of
	2016	2017	2018	August 31,
				2019
	(RMB in thousands)			
Prepayments to third parties	–	38,943	16,423	17,274
Receivables due from third parties	4,199	14,664	10,883	3,642
Loan to a third party	4,882	–	–	–
Less: loss allowance	(135)	(105)	(214)	(869)
Total	8,946	53,502	27,092	20,047

Our prepayments and other receivables increased significantly from RMB8.9 million as of December 31, 2016 to RMB53.5 million as of December 31, 2017, primarily because (i) we had prepayments to third parties of RMB38.9 million in 2017, which primarily include the prepayment of time slot purchase fees; and (ii) a RMB10.5 million increase in receivables due from third parties, reflecting advances to a supplier in relation to program production. The prepayments to third parties as of December 31, 2017 primarily consisted of (i) a prepayment we made to a leading TV network for TV commercial time slots; and (ii) prepayments to various suppliers prior to the commencement of program production.

Our prepayments and other receivables decreased by 49.4% from RMB53.5 million as of December 31, 2017 to RMB27.1 million as of December 31, 2018, primarily due to (i) a decrease in prepayments to third parties primarily because the prepaid time slot purchase fees in 2017 has been charged to our consolidated statements of profit or loss and we did not prepay for time slots in 2018; and (ii) a RMB3.8 million decrease in receivables due from third parties. Our prepayments may vary significantly between two balance sheet dates due to factors such as the different commercial terms, budget and number of programs under production.

Our prepayments and other receivables decreased from RMB27.1 million as of December 31, 2018 to RMB20.0 million as of August 31, 2019, primarily due to a RMB7.2 million decrease in receivables due from third parties, which mainly represented the receivables due from a supplier, which was a refund to us as we decided to reduce its scope of work for “Mind the Gap”.

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As of the December 31, 2019, the subsequent settlement of our prepayments to third parties as of August 31, 2019 was RMB1.0 million, and accounted for 5.5% of our total prepayments to third parties as of August 31, 2019. The relatively low subsequent settlement of our prepayments to third parties, which primarily represented prepayments to suppliers, was mainly in line with the pace and timing of our program development as a number of relevant suppliers had not provided services for which we made prepayments as of that date.

Cash and Cash Equivalents

Our cash and cash equivalents represented cash on hand and demand deposits we had in bank accounts. As of December 31, 2016, 2017 and 2018, and August 31, 2019, our cash and cash equivalents amounted to RMB0.3 million, RMB21.2 million, RMB64.4 million, and RMB47.5 million, respectively. As of August 31, 2019, a substantial portion of our cash and cash equivalents was denominated in U.S. dollars, representing proceeds from Pre-IPO Investments, while the remaining was denominated in Renminbi. Our deposits with banks carried interest rate ranging from 0.01% to 0.35% per year during the Track Record Period. For more details of the movements of our cash and cash equivalents, see “— Liquidity and Capital Resources — Cash Flow.”

	As of December 31,			As of August 31,
	2016	2017	2018	2019
	(RMB in thousands)			
Cash on hand	15	44	5	7
Deposit with banks	310	21,181	64,363	47,537
Total	325	21,225	64,368	47,544

Contract Liabilities

Our contract liabilities represent milestone and upfront payments received from our customers before we complete the relevant performance obligations. We had nil, RMB2.7 million, nil, and RMB10.2 million as of December 31, 2016, 2017 and 2018, and August 31, 2019, respectively. The RMB10.2 million contract liabilities that we recorded as of August 31, 2019 primarily consisted of advertising fees for programs “Mind the Gap” and “The Shining Girl”.

Trade Payables

Our trade payables primarily related to payments due to third party suppliers for services such as choreography, video, lighting and sound. Our trade payables amounted to RMB21.9 million, RMB13.7 million, RMB6.0 million and RMB31.9 million as of December 31, 2016, 2017 and 2018 and August 31, 2019, respectively.

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The following table sets forth the aging analysis of our trade payables based on the invoice date as of the date indicated.

	As of December 31,			As of August 31,
	2016	2017	2018	2019
	(RMB in thousands)			
Within 1 year	21,877	13,700	5,757	31,372
1 to 2 years	—	—	236	536
Total	21,877	13,700	5,993	31,908
Trade payable turnover days ⁽¹⁾	93	91	22	35

(1) Average trade payable turnover days are calculated by dividing the average of beginning and ending trade payable balances by cost of sales for the relevant period and multiplied by 365 days for 2016, 2017 and 2018 and by 243 days for the eight months ended August 31, 2019.

Our trade payables decreased significantly from RMB21.9 million as of December 31, 2016 to RMB13.7 million as of December 31, 2017, and further decreased to RMB6.0 million as of December 31, 2018, primarily reflecting our level of procurement and timing of settlement to suppliers at each date. As of December 31, 2016, our trade payables was relatively high because we had unsettled payables related to “Hello Food” in 2017, which we subsequently settled in 2017.

Our trade payables increased significantly from RMB6.0 million as of December 31, 2018 to RMB31.9 million as of August 31, 2019. This increase was because we recorded production fees related to “Oh! My Boss” and “Hello! Interviewer” as trade payables as of August 31, 2019.

Our trade payable turnover days remained relatively stable at 93 days in 2016 and 91 days in 2017, primarily because our trade payables and cost of sales decreased at similar rates. Our trade payable turnover days decreased significantly to 22 days in 2018, primarily because (i) our trade payables decreased significantly while our cost of sales increased, reflecting the increased cost in content-related services due to the release of “Hello! Interviewer” and “Hey! Let’s Sing” in 2018; and (ii) increased settlement of our trade payables during this period. See “— Discussion of Historical Operating Results.” Our trade payable turnover days increased to 35 days for the eight months ended August 31, 2019, mainly reflecting the increase in trade payables related to “Oh! My Boss” and “Hello! Interviewer.”

Our Directors confirm that we had no material defaults in payment of trade payables during the Track Record Period and up to the Latest Practicable Date. As of December 31, 2019, the subsequent settlement of our trade payables as of August 31, 2019 was RMB25.4 million, and accounted for approximately 79.6% of our total trade payables as of August 31, 2019.

Accruals and Other Payables

Our accruals and other payables primarily consisted of the following:

- Loans from third parties — In 2016, we obtained two short-term loans of RMB30.0 million and RMB7.5 million from a media company and an internet finance company to increase our liquidity. Save for these loans, we do not have any other business relationships with these companies. The RMB30.0 million loan had an interest rate of 18.2% per annum and the RMB7.5 million loan had an interest rate of 8.8% per annum.

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We fully repaid both loans in 2017. As of August 31, 2019, we had a loan from a former shareholder in the amount of RMB15.0 million, with an interest rate of 27.97% per annum, to increase our liquidity. On December 16, 2019, we entered into an amended loan agreement with the former shareholder in the amount of RMB15.0 million with an updated interest rate of 22.49% per year. This loan is agreed to be extended to March 2020. Save for the loan and its role as our former shareholder, we do not have any other business relationships with this company.

- Amounts due to Mr. Liu — We had amounts due to Mr. Liu, an executive Director of our Company, to increase our liquidity;
- Loans from a shareholder — Representing a loan from Mr. Chen Dazhi, a minority shareholder in our Company;
- Amounts received in advance from other producers — As of December 31, 2018 we received (i) a RMB5.0 million advance from a co-producer, an investment management company specializing in film and video program, as investments in our program “Urban Hero — The Stories at a Police Station”; and (ii) a RMB10.0 million advance from a co-producer, a former shareholder, as investments in our program “To Infinity and Beyond.” The amounts with these co-producers are unsecured, without interest, and have no fixed repayment terms. As of August 31, 2019, the amount received in advance from other producers for program “To Infinity and Beyond” was deducted from costs, and the outstanding balance of amounts received in advance from other producers was RMB10.0 million for program “Urban Hero — The Stories at a Police Station”;
- Amounts due to third parties — We recorded (i) amounts primarily due to our business partners, such as our suppliers and customers, in the amount of RMB12.0 million, RMB0.4 million, RMB0.6 million, and nil as of December 31, 2016, 2017 and 2018, and August 31, 2019, respectively, to mainly fulfill our short-term capital needs for business operation; (ii) amounts due to our business partner, in the amount of RMB1.5 million, RMB0.5 million, RMB0.5 million as of December 31, 2017 and 2018 and August 31, 2019, respectively, representing a refund of advance paid to us for a program that we decided not to move forward with. All of the above amounts were unsecured and without interest.
- Other taxes and levies — Primarily representing unpaid value-added tax;
- Payroll payables — Primarily including salaries, bonus and social insurance for employees; and
- Interest payables — Primarily including interest payables for bank loans, other borrowings and loans from third parties.

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The following table sets forth the details of our accruals and other payables as of the date indicated.

	As of December 31,			As of August 31,
	2016	2017	2018	2019
	(RMB in thousands)			
Loans from third parties	37,500	–	–	15,000
Amounts due to Mr. Liu	2,000	–	–	–
Loans from a shareholder	–	–	20,000	20,000
Received in advance from other producers	–	–	15,000	10,000
Amounts due to third parties	11,980	1,919	1,120	637
Other taxes and levies	3,139	5,717	3,687	1,645
Payroll payables	536	1,574	2,598	3,129
Interest payables	2,460	1,137	310	2,743
Total	57,615	10,347	42,715	53,154

Our accruals and other payables decreased from RMB57.6 million as of December 31, 2016 to RMB10.3 million as of December 31, 2017, primarily because as of December 31, 2016, we had two loans from third parties with a total balance of RMB37.5 million, which were fully repaid in 2017. The decrease in our accruals and other payables was also attributable to (i) a RMB10.1 million decrease in amounts due to third parties due to repayment; and (ii) a RMB2.0 million decrease in amounts due to Mr. Liu, partially offset by (i) a RMB2.6 million increase in other taxes and levies; and (ii) a RMB1.0 million increase in payroll payables.

Our accruals and other payables increased from RMB10.3 million as of December 31, 2017 to RMB42.7 million as of December 31, 2018, primarily because (i) we obtained a RMB20.0 million loan from Mr. Chen Dazhi, a minority shareholder in our Company, to increase liquidity; and (ii) we had amounts received in advance from other producers of RMB15.0 million as of December 31, 2018, partially offset by RMB2.0 million decrease in other taxes and levies and RMB0.8 million decrease in interest payables.

Our accruals and other payables increased from RMB42.7 million as of December 31, 2018 to RMB53.2 million as of August 31, 2019, primarily because as of August 31, 2019, we had (i) a loan from a third party with a balance of RMB15.0 million; and (ii) a RMB2.4 million increase in interest payables. This increase was partially offset by (i) a RMB5.0 million decrease in amounts received in advance from other producers; and (ii) a RMB2.0 million decrease in other taxes and levies.

Lease Liabilities

Our operating lease liabilities primarily related to our leased office premises, which generally have a term of three years. As of December 31, 2016, 2017 and 2018, and August 31, 2019, our operating lease liabilities totaled RMB1.0 million, RMB12.1 million, RMB8.4 million, and RMB17.9 million, respectively. Our lease liabilities were higher as of December 31, 2017 primarily because we entered into an agreement to lease a larger office space. In addition, our lease liabilities were higher as of August 31, 2019 as we leased more office premises.

Current Taxation

Our current taxation decreased from RMB7.5 million as of December 31, 2016 to RMB1.4 million as of December 31, 2017, primarily reflecting the commencement of preferential tax

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treatment enjoyed by our PRC subsidiary, Yili Zhongsheng in 2016. Our current taxation increased from RMB1.4 million as of December 31, 2017 to RMB2.5 million as of December 31, 2018 mainly due to the increase of income tax expense recognized. Our current taxation increased from RMB2.5 million as of December 31, 2018 to RMB17.3 million as of August 31, 2019, primarily reflecting an increase in our income tax expenses and our tax payables. See “— Key Factors Affecting Our Results of Operations — Changes in Effective Tax Rate” and “— Description of Income Statement Line Items — Income Tax Credit/(Expense).”

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Our primary uses of cash are to fund the working capital relating to the production of our programs and the purchase of time slots, as well as other working capital needs. Historically, we have financed our operations and other capital requirements primarily through (i) cash generated from our operations; (ii) proceeds from Pre-IPO Investments; and (iii) bank and other borrowings.

Our anticipated cash needs include costs associated with the expansion of our program pipeline and business operations and as a result, our working capital requirements. Other than the bank borrowings that we may obtain, we do not have any plans for material external debt financing in the foreseeable future. Our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this Prospectus after taking into account the following:

- *Cash on hand.* As of December 31, 2019, we had cash and bank balance of approximately RMB43.9 million;
- *Unutilized banking facilities.* As of December 31, 2019, the latest practicable date for determining our indebtedness, we had unutilized banking facilities of RMB119.0 million. In addition, we are in the process of obtaining a loan facility of RMB50.0 million, which we expect to be confirmed in the first quarter of 2020;
- *Cash to be collected from trade receivables.* As of December 31, 2019, we had trade receivables of approximately RMB455.7 million;
- *Net proceeds from the Global Offering.* We expect to receive net proceeds of approximately HK\$1,042.2 million from the Global Offering (after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$2.81 per Share, being the mid-point of the indicative Offer Price range stated in this Prospectus);
- *Other financing options.* We have other financing options, including: (i) renewal/extension of existing borrowings; (ii) application for additional bank loans; and (iii) sale of investment interests in pipeline programs.

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Net Current Assets

	As of December 31,			As of	As of
	2016	2017	2018	August 31,	December 31,
				2019	2019
	(RMB in thousands)				(unaudited)
Current assets					
Program copyrights	–	17,142	64,390	170,106	359,524
Trade receivables	109,342	133,494	203,854	375,726	455,707
Prepayments and other receivables	8,946	53,502	27,092	20,047	18,754
Cash and cash equivalents	325	21,225	64,368	47,544	43,863
Total current assets	118,613	225,363	359,704	613,423	877,848
Current liabilities					
Bank loans and other borrowings	–	20,000	30,000	35,000	111,000
Contract liabilities	–	2,651	–	10,217	10,217
Trade payables	21,877	13,700	5,993	31,908	37,118
Accruals and other payables	57,615	10,347	42,715	53,154	149,090
Lease liabilities	593	3,822	2,563	5,019	5,040
Current taxation	7,462	1,438	2,543	17,314	42,214
Total current liabilities	87,547	51,958	83,814	152,612	354,679
Net current assets	31,066	173,405	275,890	460,811	523,169

Our net current assets increased from RMB31.1 million as of December 31, 2016 to RMB173.4 million as of December 31, 2017, primarily due to (i) a RMB47.3 million decrease in accruals and other payables because we repaid loans from third parties using the proceeds from our Pre-IPO Investments; (ii) a RMB44.6 million increase in prepayments and other receivables, mainly because our prepayments to third parties increased by RMB38.9 million in relation to our programs; (iii) a RMB24.2 million increase in trade receivables in line with our business expansion; (iv) a RMB20.9 million increase in cash and cash equivalents, which primarily reflects the RMB90.0 million in proceeds from our Pre-IPO Investments; and (v) a RMB17.1 million increase in program copyrights, partially offset by RMB20.0 million in bank loans and other borrowings we recorded as of December 31, 2017.

Our net current assets increased from RMB173.4 million as of December 31, 2017 to RMB275.9 million as of December 31, 2018, primarily due to (i) a RMB70.4 million increase in trade receivables as we recorded significant trade receivables in 2018 related to “Hello! Interviewer”; (ii) a RMB47.2 million increase of program copyrights due to an increase in the number of new programs under production; and (iii) a RMB43.1 million increase of cash and cash equivalents. This increase was partially offset by (i) a RMB32.4 million increase in accruals and other payables; and (ii) a RMB26.4 million decrease in prepayments and other receivables due to the decrease in prepayments to third parties.

Our net current assets increased from RMB275.9 million as of December 31, 2018 to RMB460.8 million as of August 31, 2019, primarily due to (i) a RMB171.9 million increase in trade receivables because we recognized the revenue from “Hello! Interviewer”, “Oh! My Boss” and “To Infinity and Beyond”, which was not yet settled as of August 31, 2019; and (ii) a RMB105.7 million increase in program copyrights because we produced “Mind the Gap” and “Our Bands” during this period and

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“The Taste of Time” and “Urban Hero — The Stories at a Police Station” remained in our program copyrights as they are scheduled to be released after August 31, 2019. This increase was partially offset by (i) a RMB25.9 million increase in trade payables; (ii) a RMB16.8 million decrease in cash and cash equivalents; (iii) a RMB14.8 million increase in current taxation; (iv) a RMB10.4 million increase in accruals and other payables; and (v) a RMB10.2 million increase in contract liabilities.

Our net current assets increased from RMB460.8 million as of August 31, 2019 to RMB523.2 million as of December 31, 2019, primarily due to (i) a RMB189.4 million increase in program copyrights because we continued to produce programs such as “Mind the Gap” and “Our Bands,” and (ii) a RMB80.0 million increase in trade receivables because we recognized revenue from “Oh! My Boss”, “The Taste of Time”, “One Shop One Dream”, “To Infinity and Beyond” and “Jingdong Campus Superstar,” which were not yet settled as of December 31, 2019. This increase was partially offset by (i) a RMB95.9 million increase in accruals and other payables because we obtained several loans from third parties to increase liquidity and recorded accruals for listing expenses; (ii) a RMB76.0 million increase in bank loans and other borrowings; (iii) a RMB24.9 million increase in current taxation; and (iv) a RMB5.2 million increase in trade payables.

Cash Flow

The following table sets forth selected cash flow data from our consolidated statements of cash flow as of the date and for the period indicated.

	As of/for the years ended December 31,			As of/for the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	(unaudited)				
Operating cash flow before movements in working capital	34,708	71,367	107,232	97,926	66,913
Net cash (used in)/generated from operating activities	(32,271)	(47,017)	6,786	(14,591)	(172,929)
Net cash (used in)/generated from investing activities	(414)	3,471	(442)	(149)	(429)
Net cash generated from financing activities	31,361	64,446	36,799	24,890	154,351
Net (decrease)/ increase in cash and cash equivalents	(1,324)	20,900	43,143	10,150	(19,007)
Cash and cash equivalents at the beginning of the year/period	1,649	325	21,225	21,225	64,368
Effect of exchange rate fluctuations on cash held ..	—	—	—	—	2,183
Cash and cash equivalents at the end of the year/period	325	21,225	64,368	31,375	47,544

Net Cash (Used in)/ Generated from Operating Activities

Our net cash used in operating activities of RMB172.9 million for the eight months ended August 31, 2019 was primarily attributable to our profit before income tax of RMB62.1 million, as adjusted for non-cash and non-operating items, which primarily include (i) net finance expenses of RMB5.5 million; and (ii) depreciation and amortization of RMB3.6 million. The amount was further adjusted by negative changes in working capital and income tax paid of RMB2.8 million. Changes in

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working capital primarily include (i) an increase in trade receivables of RMB166.9 million, primarily in relation to “Hello! Interviewer”, “Oh! My Boss”, and “To Infinity and Beyond”, in 2019; and (ii) an increase in program copyrights of RMB105.7 million, primarily due to the continued growth of our pipeline of new programs under production; partially offset by (i) an increase in trade payables of RMB25.9 million; and (ii) an increase in prepayments and other receivables of RMB6.4 million.

Our net cash generated from operating activities of RMB6.8 million for the year ended December 31, 2018 was primarily attributable to our profit before income tax of RMB90.3 million, as adjusted for non-cash and non-operating items, which primarily include (i) loss allowance for trade and other receivables of RMB11.1 million; (ii) depreciation and amortization of RMB4.0 million; and (iii) net finance expenses of RMB2.4 million. The amount was further adjusted by negative changes in working capital and income tax paid of RMB1.3 million. Changes in working capital primarily include (i) an increase in trade receivables of RMB81.4 million, primarily due to the trade receivables in 2018 related to “Hello! Interviewer”; and (ii) an increase in program copyrights of RMB47.2 million, primarily due to the continued growth of our pipeline of new programs under production; partially offset by a decrease in prepayments and other receivables of RMB26.2 million, primarily due to a decrease in prepayments to third parties.

Our net cash used in operating activities of RMB47.0 million for the year ended December 31, 2017 was primarily attributable to profit before income tax of RMB57.3 million, as adjusted for non-cash and non-operating items, which primarily include (i) loss allowance for trade and other receivables of RMB8.4 million; and (ii) net finance expenses of RMB3.6 million. The amount was further adjusted by negative changes in working capital and income tax paid of RMB7.2 million. Changes in working capital primarily include (i) an increase in prepayments and other receivables of RMB49.4 million, primarily because our prepayments to third parties increased by RMB38.9 million; (ii) an increase in trade receivables of RMB32.6 million, primarily due to our business expansion; and (iii) an increase in program copyrights of RMB17.1 million, primarily due to the continued growth of our pipeline of new programs under production.

Our net cash used in operating activities of RMB32.3 million for the year ended December 31, 2016 was primarily attributable to profit before income tax of RMB18.5 million, as adjusted for non-cash and non-operating items, which primarily include (i) loss allowance for trade and other receivables of RMB11.0 million; and (ii) net finance expenses of RMB4.6 million. The amount was further adjusted by negative changes in working capital and income tax paid of RMB21,000. Changes in working capital primarily include an increase in trade receivables of RMB88.3 million; partially offset by a RMB14.4 million increase in accruals and other payables and contract liabilities.

Net Cash (Used in)/ Generated from Investing Activities

In 2016, 2018 and the eight months ended August 31, 2019, we had net cash used in investing activities of RMB0.4 million, RMB0.4 million and RMB0.4 million, respectively, which primarily included payments for the purchase of property, plant and equipment, which included motor vehicles, electronic equipment, office equipment and leasehold improvements.

In 2017, we had net cash generated from investing activities of RMB3.5 million, which was primarily attributed to receipt from repayment of loan to a third party of RMB4.5 million; partially offset by payments for the purchase of property, plant and equipment of RMB1.7 million.

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Net Cash Generated from Financing Activities

Our net cash generated from financing activities of RMB154.4 million for the eight months ended August 31, 2019 was primarily attributable to (i) capital injection from owners of companies comprising the Group of RMB140.5 million from Pre-IPO Investors; and (ii) proceeds from interest-bearing borrowings of RMB60.0 million; partially offset by the amount of repayment of interest-bearing borrowings of RMB40.0 million.

Our net cash generated from financing activities of RMB36.8 million for the year ended December 31, 2018 was primarily attributable to (i) proceeds from interest-bearing borrowings of RMB50.0 million; and (ii) capital injection from owners of companies comprising the Group of RMB14.0 million; partially offset by (i) repayment of interest-bearing borrowings of RMB20.0 million; and (ii) the capitalized portion of lease rental paid of RMB3.8 million.

Our net cash generated from financing activities of RMB64.4 million for the year ended December 31, 2017 was primarily attributable to (i) capital injection from owners of companies comprising the Group of RMB90.0 million; and (ii) proceeds from interest-bearing borrowings of RMB20.0 million; partially offset by (i) repayment of interest-bearing borrowings of RMB37.5 million; (ii) borrowing cost paid of RMB4.6 million; and (iii) the capitalized portion of lease rental paid of RMB2.1 million.

Our net cash from financing activities of RMB31.4 million for the year ended December 31, 2016 was primarily attributable to (i) proceeds from interest-bearing borrowings of RMB37.5 million; (ii) capital injection from owners of companies comprising the Group of RMB4.6 million; and (iii) proceeds from a related party of RMB2.0 million; partially offset by (i) repayment of interest-bearing borrowings of RMB10.0 million; and (ii) borrowing cost paid of RMB2.3 million.

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INDEBTEDNESS

Our indebtedness primarily consisted of short-term loans from banks and other borrowings, borrowings from third parties and lease liabilities. Our indebtedness as of December 31, 2016, 2017 and 2018, and August 31 and December 31, 2019, being the latest practicable date for determining our indebtedness, were as follows:

	As of December 31,			As of	As of
	2016	2017	2018	August 31, 2019	December 31, 2019
	(in thousands of RMB)				(unaudited)
<u>Current</u>					
Bank loans					
— Secured	—	—	30,000	35,000	111,000
Other borrowings					
— Secured	—	20,000	—	—	—
Amounts due to Mr. Liu	2,000	—	—	—	—
Loan from a shareholder	—	—	20,000	20,000	20,000
Loans from third parties	37,500	—	—	15,000	73,857
Lease liabilities	593	3,822	2,563	5,019	5,040
<i>Subtotal</i>	<i>40,093</i>	<i>23,822</i>	<i>52,563</i>	<i>75,019</i>	<i>209,897</i>
<u>Non-current</u>					
Lease liabilities	412	8,306	5,839	12,862	11,657
<i>Subtotal</i>	<i>412</i>	<i>8,306</i>	<i>5,839</i>	<i>12,862</i>	<i>11,657</i>
Total	40,505	32,128	58,402	87,881	221,554

Bank Borrowings

Our bank borrowings were short-term working capital loans from a PRC commercial bank. Our bank borrowings as of December 31, 2018 bore interest at rates equivalent to 5.23% per year. Our bank borrowings as of December 31, 2019 amounted to RMB111.0 million, of which RMB31.0 million bore interest at a rate equivalent to 5.22% per year, RMB30.0 million bore interest at a rate equivalent to 5.23% per year, and RMB50.0 million bore interest at a rate equivalent to 6.5% per year.

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we did not experience any default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Given our credit history and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings in the future.

Other Borrowings

Our other borrowings of RMB20.0 million as of December 31, 2017 represented borrowings from a non-bank financial institution, which were primarily used to supplement our working capital. Our other borrowings bore interest at rates equivalent to 10.0% per year and were secured by our trade receivables of RMB35.0 million. We repaid these borrowings in 2018.

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Amounts Due to Mr. Liu

As of December 31, 2016, we had amounts due to Mr. Liu of RMB2.0 million, which represented the unsecured loans from him. We repaid such amounts in full in 2017.

Loan from a Shareholder

In 2018, we obtained an unsecured loan of RMB20.0 million from Mr. Chen Dazhi, a shareholder of our Company, with an interest rate of 12% per year. As of December 31, 2018, August 31, 2019 and December 31, 2019, the balance of such loan remained at RMB20.0 million. We will repay this loan before Listing using cash from operations.

Loans from Third Parties

As of December 31, 2016, and August 31, 2019, the balances of our loans from third parties amounted to RMB37.5 million, and RMB15.0 million, respectively, and were unsecured except for a RMB7.5 million loan in 2016, which was secured by trade receivables. As of December 31, 2019, our loans from third parties amounted to RMB73.9 million, of which RMB41.9 million was in relation to loan agreements under fully exempt continuing connected transactions. For details, please refer to “Connected Transactions — Fully Exempt Continuing Connected Transactions.” As of the same date, we had loans from a third party to invest in the program “Mind the Gap” with principal amounts of RMB11.0 million and RMB6.0 million which bore interest rates of 15% and 18% per year, respectively. The RMB11.0 million loan will mature in October 2020. The RMB6.0 million loan will mature on February 28, 2020 and we plan to extend the loan term with the counterparty if necessary. We also had a RMB15.0 million loan from a third party, a former shareholder, to supplement our working capital, which bears an interest rate of 22.49% per year. This loan is agreed to be extended to March 2020.

Lease Liabilities

Upon the application of IFRS 16, we recognized right-of-use assets and a corresponding lease liability in respect of all leases unless they qualify for low value or short-term leases. As of December 31, 2019, we, as a lessee, had outstanding current and non-current lease liabilities of RMB16.7 million. The lease liabilities represent payment for the right to use underlying assets, which is unsecured and unguaranteed.

As of December 31, 2019, the latest practicable date for determining our indebtedness, save as disclosed above, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, mortgages, charges or other material contingent liabilities.

CAPITAL EXPENDITURE

In 2016, 2017 and 2018 and the eight months ended August 31, 2019, our capital expenditure totaled RMB0.4 million, RMB1.7 million, RMB1.5 million and RMB0.7 million, respectively. Our capital expenditure during the Track Record Period primarily related to our improvements to leased properties and purchase of motor vehicles, electronic equipment and other office equipment. We expect that our capital expenditure for 2019 and 2020 to continue to be relatively insignificant, and plan to finance such expenditure through cash flow from operating activities.

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FINANCIAL RISKS

We are exposed to a variety of financial risks, including credit risk, liquidity risk and interest rate risk.

Credit Risk

Our credit risk is primarily attributable to trade receivables. Our exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating, for which we consider to have low credit risk.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. We generally do not obtain collateral from customers.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of December 31, 2016, 2017 and 2018 and August 31, 2019, 99.6%, 92.5%, 93.8% and 98.4% of the total trade receivables was due from our five largest customers, respectively. These customers were mainly TV networks and advertising agent companies with diversified end-customers.

We measure loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between our different customer bases. We do not provide any guarantees which would expose our Group to credit risk. For details, see Note 24 of the Accountants' Report set out in Appendix I to this Prospectus.

Currency Risk

We are exposed to currency risk primarily through deposits with banks which give rises to cash balances that are denominated in a foreign currency. The currency giving rise to this risk is primarily U.S. dollars. For details, please refer to Note 24 of the Accountants' Report set out in Appendix I to this Prospectus.

Liquidity Risk

Regularly monitor our liquidity requirements to ensure that we maintain sufficient reserves of cash and funding for the short and longer term. For details, see Note 24 of the Accountants' Report set out in Appendix I to this Prospectus.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from

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borrowings. Borrowings issued at variable rates and fixed rates expose us to cash flow interest rate risk and fair value interest rate risk, respectively. Our interest-bearing liabilities as of December 31, 2016, 2017 and 2018 and August 31, 2019 are all fixed rate borrowings. Thus, we are not exposed to cash flow interest rate risk during the Track Record Period.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into a number of related party transactions. For more details about our material related party transactions, see Note 25 of the Accountants' Report included in Appendix I to this Prospectus.

The following table sets forth our related party transactions by nature for the period indicated.

	For the year ended December 31,			For the eight months ended August 31,	
	2016	2017	2018	2018	2019
	(RMB in thousands)				
	(unaudited)				
Loan received from Mr. Liu	5,380	2,644	—	—	28,800
Loan repaid to Mr. Liu	3,380	4,644	—	—	28,800
Interest expense	—	—	—	—	446

For the years ended December 31, 2016, 2017, and for the eight months ended August 31, 2019, we obtained loans from Mr. Liu in the amount of RMB5.4 million, RMB2.6 million and RMB28.8 million, respectively, to supplement our working capital. The terms of such loans ranged from a few days to one year and had average interest rates of nil, nil, and 4.35% per year, respectively. We repaid Mr. Liu in the amount of RMB3.4 million, RMB4.6 million and RMB28.8 million in 2016, 2017 and the eight months ended August 31, 2019, respectively.

Outstanding Balances with Related Parties

The following table sets forth the outstanding balances with related parties for the period indicated.

	As of December 31,			As of
	2016	2017	2018	August 31,
				2019
Accruals and other payables				
Mr. Liu	2,000	—	—	—

The outstanding balances with Mr. Liu are non-trade in nature, are unsecured and have no fixed repayment terms. See “— Discussion of Certain Balance Sheet Items — Accruals and Other Payables.”

It is the view of our Directors that the transactions described above were conducted in the ordinary course of our business on terms comparable to those offered by the Independent Third Parties and did not distort our results of operations or make our historical results not reflective of our future performance.

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KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the date and for the period indicated:

	As of/for the year ended December 31,			As of/ for the eight months ended August 31,
	2016	2017	2018	2019
Return on average equity ⁽¹⁾	52.9%	51.5%	36.9%	NM ⁽⁶⁾
Return on average assets ⁽²⁾	16.3%	30.6%	27.9%	NM ⁽⁶⁾
Current ratio ⁽³⁾	1.35	4.34	4.29	4.02
Quick ratio ⁽⁴⁾	1.35	4.01	3.52	2.90
Gearing ratio ⁽⁵⁾	—	11.0%	10.6%	7.4%

- (1) Equals profit for the year/period divided by average balance of total equity at the beginning and the end of that year/period and multiplied by 100%.
- (2) Equals profit for the year/period divided by average balance of total assets at the beginning and the end of that year/period and multiplied by 100%.
- (3) Equals current assets divided by current liabilities as of the same date.
- (4) Equals current assets less program copyrights and divided by current liabilities as of the same date.
- (5) Equals bank loans and other borrowings divided by total equity as of the same date and multiplied by 100%.
- (6) Not meaningful.

Return on Average Equity

Our return on average equity decreased from 52.9% in 2016 to 51.5% in 2017, mainly because of the increase in total equity due to capital injection of RMB90.0 million in 2017. Our return on average equity further decreased to 36.9% in 2018 mainly because of the increase in total equity due to the capital injection of RMB 14.0 million in 2018.

Return on Average Assets

Our return on average assets increased from 16.3% in 2016 to 30.6% in 2017, mainly due to a significant increase in profit for the year from 2016 to 2017, partially offset by an increase in average total assets in 2017. Our return on average assets decreased from 30.6% in 2017 to 27.9% in 2018, primarily due to a significant increase in our total assets as of December 31, 2018, reflecting increases in our trade receivables, program copyrights and cash and cash equivalents, partially offset by an increase in profit for the year in 2018.

Current Ratio

Our current ratio increased from 1.35 as of December 31, 2016 to 4.34 as of December 31, 2017 because our current assets increased by RMB106.8 million mainly due to the increase in our program copyright, prepayments and other receivables, trade receivables and cash and cash equivalents, while our current liabilities decreased by RMB35.6 million mainly due to the decrease in accruals and other payables. Our current ratio remained relatively stable at 4.34 as of December 31, 2017 and 4.29 as of December 31, 2018, primarily because our current liabilities and current assets increased at similar rates. Our current ratio decreased from 4.29 as of December 31, 2018 to 4.02 as of August 31, 2019 because our current liabilities increased by RMB68.8 million mainly due to an increase in trade payables, current taxation and contract liabilities, while our current assets increased at a slower rate.

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Quick Ratio

Our quick ratio increased from 1.35 as of December 31, 2016 to 4.01 as of December 31, 2017 because our quick assets increased by RMB89.6 million mainly due to the increase in our prepayments and other receivables, trade receivables and cash and cash equivalents, while our current liabilities decreased by RMB35.6 million mainly due to the decrease in accruals and other payables. Our quick ratio remained decreased from 4.01 as of December 31, 2017 to 3.52 as of December 31, 2018, primarily because our current liabilities increased by RMB31.9 million, primarily due to an increase in accruals and other payables, while our current assets less program copyrights increased at a slower rate. Our quick ratio decreased from 3.52 as of December 31, 2018 to 2.90 as of August 31, 2019, primarily because our current liabilities increased by RMB68.8 million, primarily due to an increase in trade payables, current taxation and contract liabilities, while our current assets less program copyrights increased at a slower rate.

Gearing Ratio

Our gearing ratio was nil, 11.0%, 10.6%, and 7.4% as of December 31, 2016, 2017 and 2018 and August 31, 2019, mainly because, as compared to our total equity, our bank loans and other borrowings were relatively low as of the same dates.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DIVIDENDS

No dividends have been paid by our Group during the Track Record Period. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. In addition, our Directors may from time to time pay such interim dividends on shares of our Company outstanding and authorize payment of the same out of the funds of our Company lawfully available. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board.

Future dividend payments will also depend upon the availability of dividends received from our PRC Operating Entities in China. PRC laws require that dividends be paid only out of net profits calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our PRC Operating Entities may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our PRC Operating Entities may enter into in the future.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against us that is likely to

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have a material and adverse effect on our business, financial condition and result of operations. Our Directors confirm that there has been no material change in our contingent liabilities since August 31, 2019 to the date of this Prospectus.

DISTRIBUTABLE RESERVES

As of August 31, 2019, we did not have any retained profits under IFRSs as reserves available for distribution to our equity shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on August 31, 2019. It has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group had the Global Offering been completed as at August 31, 2019 or at any future dates.

	Consolidated net tangible assets of our Group attributable to equity shareholders of our Company as at August 31, 2019 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share ⁽³⁾	
	(RMB in thousands)			RMB	HK\$ ⁽⁴⁾
Based on an Offer Price of HK\$2.25 per Offer Share	301,233	742,350	1,043,583	0.65	0.72
Based on an Offer Price of HK\$3.37 per Offer Share	301,233	1,130,848	1,432,081	0.90	1.00

- (1) The consolidated net tangible assets attributable to equity shareholders of our Company as of August 31, 2019 is based on our consolidated net assets of our Group of RMB471.3 million as of August 31, 2019 after deduction of program copyrights of RMB170.1 million as shown in the Accountants' Report as set out in Appendix I in this Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the expected issuance of 400,000,000 Shares and indicative Offer Price of HK\$2.25 per Offer Share (being the minimum Offer Price) or HK\$3.37 per Offer Share (being the maximum Offer Price), after deduction of the underwriting fees and related listing expenses paid or payable by our Group (excluding the expenses that have been charged to profit or loss during the Track Record Period), and does not take into account of any Shares that may be issued upon exercise of the Over-allotment Option and options granted under the Share Option Scheme. The estimated net proceeds from the Global Offering are converted into Renminbi at an exchange rate of HK\$1.1128 to RMB1.0000. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.
- (3) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share is arrived at after adjusting for the estimated net proceeds from the Global Offering as described in note (2) and on the basis a total of 1,600,000,000 Shares were in issue (including Shares in issue as of the date of this Prospectus and those Shares to be issued pursuant to the Global Offering and the Capitalization Issue) assuming that the Global Offering and the Capitalization Issue had been completed on August 31, 2019 without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option and options granted under the Share Option Scheme.
- (4) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of our Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.1128 to RMB1.0000. No representation is made that

FINANCIAL INFORMATION

Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate or at all.

- (5) No adjustment has been made to reflect any trading results or other transactions of our Group subsequent to August 31, 2019.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2019

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

Estimated consolidated profit attributable to equity shareholders of the Company for the
year ended December 31, 2019⁽¹⁾ Not less than RMB100.0 million

- (1) The basis on which the above estimate has been prepared is set out in Appendix IIA in this Prospectus. Our Directors have prepared the estimated consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2019 based on (i) the audited consolidated results of our Group for the eight months ended August 31, 2019; and (ii) the unaudited consolidated results based on the management accounts of our Group for the four months ended December 31, 2019.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB73.5 million (equivalent to HK\$81.8 million) (including underwriting commission). For the eight months ended August 31, 2019, approximately RMB9.0 million was charged to our consolidated statements of profit or loss as general and administrative expenses. After August 31, 2019, we expect that approximately RMB24.2 million will be charged to our consolidated statements of profit or loss as general and administrative expenses, and approximately RMB40.3 million will be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such listing expenses to have a material adverse impact on our results of operations for the year ended December 31, 2019.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this Prospectus, there has been no material adverse change in our financial and trading position or prospects since August 31, 2019, and there is no event since August 31, 2019 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**”) with the cornerstone investor set out below (the “**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased for an aggregate amount of US\$10 million (or approximately HK\$77.65 million) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$2.25, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 34,511,000 Offer Shares, representing approximately 8.63% of the Offer Shares pursuant to the Global Offering and approximately 2.16% of our total issued share capital immediately upon completion of the Global Offering (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme).

Assuming an Offer Price of HK\$2.81, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 27,633,000 Offer Shares, representing approximately 6.91% of the Offer Shares pursuant to the Global Offering and approximately 1.73% of our total issued share capital immediately upon completion of the Global Offering (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme).

Assuming an Offer Price of HK\$3.37, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Shares to be subscribed by the Cornerstone Investor would be 23,041,000 Offer Shares, representing approximately 5.76% of the Offer Shares pursuant to the Global Offering and approximately 1.44% of our total issued share capital immediately upon completion of the Global Offering (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme).

To the best knowledge of our Company, the Cornerstone Investor is an Independent Third Party and is making independent investment decisions, and the Cornerstone Investor is not an existing shareholder of our Company or its close associate. Details of the allocation to the Cornerstone Investor will be disclosed in the allotment results announcement to be published by the Company on or around March 12, 2020.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investor will not acquire any Offer Shares under the Global Offering other than and pursuant to the Cornerstone Investment Agreement. The Offer Shares to be subscribed by the Cornerstone Investor will rank *pari passu* in all respects with the fully paid Shares in issue. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any Board representation in our Company, nor will the Cornerstone Investor become a Substantial Shareholder of the Company. The Cornerstone Investor does not have any preferential rights in the Cornerstone Investment Agreement compared with other public Shareholders.

CORNERSTONE INVESTOR

The total number of Offer Shares to be subscribed by the Cornerstone Investor pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering — Re-Allocation of Offer Shares between The Hong Kong Public Offering and The International Offering”.

To the best knowledge of our Company, the Cornerstone Investor is an Independent Third Party and independent of our connected persons and their respective close associates. In addition, our Company confirms that (i) there are no side agreements or arrangements between our Group and the Cornerstone Investor entered into between our Group and the Cornerstone Investor for the purpose of the Cornerstone Placing; (ii) it became acquainted with the Cornerstone Investor through pre-deal marketing process conducted by the Joint Representatives; (iii) the Cornerstone Investor is not accustomed to taking instructions from our Company, our Directors, chief executive of our Company, Controlling Shareholders, Substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates; (iv) the subscription of Offer Shares by the Cornerstone Investor is not financed by our Company, our Directors, chief executive of our Company, Controlling Shareholders, Substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates; (v) there is no deferred settlement in payment or deferred delivery of the Shares to be subscribed by the Cornerstone Investor.

Assuming the Offer Price of HK\$2.25, being the low-end of the indicative Offer Price, the Cornerstone Investor will subscribe for 34,511,000 Shares, representing approximately 8.63% of the total Offer Shares (assuming that the Over-allotment Option is not exercised and taking into no account of any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme). Our Directors believe that the pre-selling of such portion of the Offer Shares to the Cornerstone Investor can reduce the amount to be sold in the book-building process so that the certainty for the launching of the Global Offering will be increased especially in challenging market conditions and the Cornerstone Investment made by the Cornerstone Investor, being an investor with rich investment experience focusing on investing in various sectors, demonstrates its interests in the Global Offering to the wider market, raises the profile of the Global Offering, promotes the investing interest of the public and increases the chances of favorable pricing and of the Global Offering’s successfully closing by lending credibility and stimulating demand.

THE CORNERSTONE INVESTOR

The information about our Cornerstone Investor set forth below has been provided by our Cornerstone Investor in connection with the Cornerstone Placing.

China Fortune Rich Private Equity Fund Limited (中國祿豐私募資金有限公司)

Pursuant to the Cornerstone Investment Agreement entered into between our Company, the Joint Sponsors, Haitong International Securities Company Limited, BOCOM International Securities Limited and China Fortune Rich Private Equity Fund Limited (中國祿豐私募資金有限公司) (“**Fortune Rich**”) dated February 21, 2020, Fortune Rich has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of the Hong Kong dollars equivalent of US\$10.0 million at the Offer Price.

CORNERSTONE INVESTOR

Assuming the Offer Price of HK\$2.25, being the low-end of the indicative Offer Price range set out in this Prospectus, Fortune Rich will collectively subscribe for 34,511,000 Shares, representing approximately 2.16% of our total issued share capital immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and taking into no account of any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme).

Fortune Rich is a wholly-owned subsidiary incorporated in Hong Kong of DT Capital Management Co., Ltd. (德圖資本管理股份有限公司) (“**DT Capital**”), which is in turn owned by Ms. Wang Zixi (王子熙), Ms. Wu Tong (吳彤), Ms. He Fang (何芳) and Zhi De (Hangzhou) Investment Management Limited Partnership (杭州智得投資管理合夥企業(有限合夥)). Fortune Rich is principally engaged in private fund investment and mainly invests in listed companies on the Stock Exchange in the chemistry, healthcare, education and TMT sectors.

DT Capital was established in 2015 and is principally engaged in investment management and asset management. With its investment philosophy of internationalized investment, its business philosophy of “great ambitions and great virtues carry great responsibilities”, focus on long-term strategic investments, and through the integration of global capital and industry resources, the DT Capital team provides diverse services in mergers and acquisitions, corporate strategies and business development to systematically improve the intrinsic value of companies and contribute to further growth. DT Capital has agreed with Tus-holdings Co., Ltd. (啟迪控股股份有限公司) and Maotian Capital Co., Ltd. (茂天資本有限責任公司), a wholly-owned subsidiary of Hebei Construction & Investment Group Co., Ltd. (河北建設投資集團有限責任公司) to establish joint venture platform companies in the PRC.

Fortune Rich may obtain external financing from Haitong International Securities Company Limited, one of the Joint Global Coordinators to finance its subscription of the Offer Shares. The loan is determined to be on normal commercial terms after arms-length negotiations. All or some of the Offer Shares to be subscribed for by Fortune Rich may be charged to Haitong International Securities Company Limited as security for the loan facility. Under the financing arrangement, upon the occurrence of certain customary events of default, Fortune Rich may be required to repay the loan before its maturity. Haitong International Securities Company Limited may therefore have the right to enforce the security interest in the Offer Shares subject to such charge at any time upon the occurrence of certain customary events of default. Fortune Rich agrees and undertakes to the Company to procure Haitong International Securities Company Limited, and Haitong International Securities Company Limited also agrees and undertakes to the Company, not to dispose of the collateral Shares under the financing arrangement at any time during the period of six months following the Listing Date.

CLOSING CONDITIONS

The obligation of the Cornerstone Investor to acquire the Offer Shares under the Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement;

CORNERSTONE INVESTOR

- (ii) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (iii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) the Offer Price having been agreed according to the Hong Kong Underwriting Agreement, the International Underwriting Agreement and the Price Determination Agreement to be signed among the parties to such agreements in connection with the Global Offering;
- (v) no laws shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in Hong Kong Public Offering, the International Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (vi) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are and will be (as of the closing of the Cornerstone Investment Agreement) accurate and true in all material respects and not misleading and that there is no breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that without the prior written consent of our Company, the Joint Sponsors, Haitong International Securities Company Limited and BOCOM International Securities Limited, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), (i) dispose of, in any way, any of the Offer Shares it has purchased pursuant to the Cornerstone Investment Agreement or any interest in any company or entity holding any of such Offer Shares; (ii) agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of such Offer Shares or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions, pursuant to the Cornerstone Investment Agreement.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

See “Business — Business Strategy” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,042.2 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$2.81 per Share, being the mid-point of the indicative Offer Price range stated in this Prospectus. If the Offer Price is set at HK\$3.37 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK\$216.2 million. If the Offer Price is set at HK\$2.25 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK\$216.2 million.

We currently intend to apply these net proceeds for the following purposes:

- approximately 85%, or HK\$885.9 million, will be used to fund the development of our pipeline programs:
 - approximately 70%, or HK\$729.6 million, will be used to fund, in full or in part, approximately 10 to 12 programs we expect to release in 2020. For programs to be funded in part with net proceeds from the Global Offering, we expect to fund the remaining amounts through cash from operations and trade receivables collected. The following is a breakdown of our net proceeds allocated to 2020 programs by program type:
 - approximately 29%, or HK\$302.3 million, for TV variety programs in the food, work/career, youth and police/crime genres, most of which are expected to be released on Big Five Satellite TV Networks and leading online video platforms;
 - approximately 27%, or HK\$281.4 million, for TV drama series in the urban and police/crime genres and are expected to be released on Big Five Satellite TV Networks and leading online video platforms;
 - approximately 14%, or HK\$145.9 million, for made-for-internet drama series in the urban, youth and police/crime genres and are expected to be released on leading online video platforms;

For more details, see “Business — Releases after the Track Record Period and Upcoming Releases — Our Program Pipeline.”

- approximately 15%, or HK\$156.3 million, will be used to fund programs we expect to release in 2021, which include TV variety programs, TV drama series and made-for-internet drama series;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 5%, or HK\$52.1 million, will be used to expand our team by approximately 75 members in 2020. Although we believe our current team has sufficient capacity for the programs in our current pipeline for 2020, we plan to recruit the following personnel in 2020 in order to continue to expand our business over the next few years:
 - approximately 30 employees with content development or marketing experience and a track record of developing successful programs to develop programs for 2021, which are in a preliminary stage at this time. As our existing personnel focus on the development of our 2020 pipeline, we believe that we will require additional personnel to participate in content development and marketing of programs for 2021. In addition, we plan to recruit additional personnel to support our endeavors in expanding our portfolio of other program types, such as TV drama series and made-for-internet programs, and other genres, such as history and culture. We believe that these different program types and genres require different expertise and knowledge base, and as we primarily focused on TV variety programs in five core genres during the Track Record Period, recruiting additional personnel with relevant experience and background in these program types and genres would facilitate our growth strategy;
 - approximately 15 employees with background and experience in product development and content extension to support our endeavors of developing new potential sources of revenue, such as tie-in merchandise, cross-platform programs and new media formats. According to the F&S Report, tie-in merchandise has strong demand in the TV variety program market alone, and cross-platform programs and new media formats are popular content channels with high potential;
 - approximately 15 employees that have experience working with studios and teams in post-production editing, special effects and other upstream and downstream services to support the expansion of our capabilities in these areas. We believe that expanding our capabilities would enable us to provide more comprehensive services and enhance our competitive position in the market; and
 - approximately 15 employees with extensive international program development, content acquisition and cross-border partnership experiences to support our efforts to seek overseas intellectual property rights and explore concepts that can be commercialized overseas. These employees will primarily be responsible for conducting market research on program concepts prevailing in overseas markets which can be introduced to the PRC market, acquiring program copyrights from overseas markets, and developing marketing and brand positioning strategies. We believe that overseas intellectual properties represent a lucrative business opportunity. According to the F&S Report, approximately two to four of the top ten TV variety programs by rating in 2016, 2017 and 2018 were developed based on overseas intellectual property, indicating strong demand from Chinese audiences.

FUTURE PLANS AND USE OF PROCEEDS

- approximately 10%, or HK\$104.2 million, will be used for our working capital and general corporate purposes.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this Prospectus.

If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK\$1,204.9 million, assuming an Offer Price of HK\$2.81 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above purposes in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

UNDERWRITING

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited

BOCOM International Securities Limited

AMTD Global Markets Limited

Guotai Junan Securities (Hong Kong) Limited

Shenwan Hongyuan Securities (H.K.) Limited

Futu Securities International (Hong Kong) Limited

Victory Securities Company Limited

Yue Xiu Securities Company Limited

SBI China Capital Financial Services Limited

Sinomax Securities Limited

Guoyuan Capital (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting arrangements

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Underwriters, both on several basis and subject to agreement on pricing of the Offer Shares being entered into between the Joint Representatives (for themselves and on behalf of the Underwriters) and us. In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with, among others, the International Underwriters. The Hong Kong Underwriting Agreement is conditional upon (among other things) the International Underwriting Agreement being entered into, and the Underwriting Agreements are expected to be inter-conditional.

Hong Kong Underwriting Agreement

Under the Hong Kong Underwriting Agreement, we have agreed to offer the Hong Kong Offer Shares to the public in Hong Kong for subscription on and subject to the terms and conditions of this Prospectus and the Application Forms.

Pursuant to the Hong Kong Underwriting Agreement, and conditional upon, among other conditions, the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares, in issue and to be issued as mentioned in this Prospectus and certain other conditions including the Offer Price being determined by our Company and the Joint Representatives (for themselves and on behalf of the Underwriters), the entering into of the International Underwriting Agreement and the Price Determination Agreement on or before the Price Determination Date, the Hong Kong Underwriters have agreed to subscribe for, or procure subscribers to subscribe for, the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of the Hong Kong Underwriting Agreement, this Prospectus and the Application Forms.

UNDERWRITING

Grounds for termination

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) are entitled to terminate the Hong Kong Underwriting Agreement with immediate effect by giving written notice before 8:00 a.m. (Hong Kong time) on the Listing Date (“**Termination Time**”) to our Company if any of the following events shall occur prior to the Termination Time:

- (a) there develops, occurs, exists or comes into force any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or representing a change or development, or prospective change or development concerning or relating to:
 - (i) any new law or any change in existing law, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, any member of the European Union, Japan, Singapore or any other jurisdiction relevant to any member of our Group (each a “**Relevant Jurisdiction**”); or
 - (ii) any local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock, equity securities and bond markets, money and foreign exchange markets and inter-bank markets), or any monetary or trading settlement system or matters and/or disaster (including, without limitation a 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 devaluation of the Hong Kong dollars or an appreciation of the Renminbi against the currency of any of the United States, the European Union (as a whole), the United Kingdom or Japan) in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency of war, epidemic, pandemic, outbreak of disease, economic sanction, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), riot, public disorder, economic sanctions or acts of God) in or affecting any Relevant Jurisdiction; or
 - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or any Relevant Jurisdiction; or
 - (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Tokyo Stock Exchange, Shanghai Stock Exchange or Shenzhen Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Cayman Islands, Hong Kong, Japan or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (vi) any material adverse change or development involving prospective adverse change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (vii) any executive or non-executive Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or
- (viii) a contravention by any member of the Group of a material provision of the Companies Ordinance or Companies (WUMP) Ordinance or Cayman Islands Companies Law or the Listing Rules or the laws of such member company's own jurisdiction in any material respect; or
- (ix) the issue or requirement to issue by our Company of a supplementary Prospectus, Application Form, preliminary or final offering circular pursuant to the Companies Ordinance or Companies (WUMP) Ordinance or the Listing Rules; or
- (x) any adverse change or development involving a likely adverse change of any of the risks set out in the section headed "Risk Factors" in this Prospectus or the occurrence of any such events therein; or
- (xi) any valid demand by creditors for repayment of indebtedness or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xii) any litigation or claim being threatened or instigated against our Company or any member of the Group or any Director; or
- (xiii) the chairman or chief executive officer of our Company vacating his or her office for any reason,

which in any such case, whether individually or in aggregate and in the sole opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters),

- (A) is or may or will be or is likely to be materially adverse to, or prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of our Company and its subsidiaries taken as a whole; or
- (B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable, incapable,

UNDERWRITING

inexpedient or inadvisable for any part of Hong Kong Underwriting Agreement (including underwriting), the International Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged or which prevents the processing of applications and/or payments pursuant to the Global Offering or underwriting thereof; or

- (C) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this Prospectus, the Application Forms, the formal notice or the final offering circular;
- (b) there has come to the notice of the Joint Representatives or any of the Hong Kong Underwriters as at or after the date of Hong Kong Underwriting Agreement:
- (i) that any statement contained in this Prospectus, the Application Forms, the formal notice and any notices, announcements, advertisements, communications, or other documents in the agreed form issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect or incomplete in any material respect or misleading, or that any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this Prospectus, not having been disclosed in this Prospectus, constitutes a material omission therefrom; or
 - (iii) any of the warranties given by the warrantors in the Hong Kong Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate in any respect; or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of our Company pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
 - (v) any breach of any of the obligations or undertakings of the warrantors under the Hong Kong Underwriting Agreement or the International Underwriting Agreement which has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the business or financial conditions or prospects of the Group; or
 - (vi) any breach of any of the obligations of any party (other than the Joint Representatives or the Underwriters, if applicable) to any of the Deed of Indemnity, the Price Determination Agreement, the receiving bank agreement, the registrar agreements and the Stock Borrowing Agreement which has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the business or financial conditions or prospects of the Group; or

UNDERWRITING

- (vii) any material adverse change or development involving prospective material adverse change in the assets, liabilities, conditions, earnings, profits, losses, business, properties, results of operations, in the financial or trading position or prospects or performance of our Company and its subsidiaries taken as a whole; or
- (viii) any of the experts named in “Statutory and General Information — D. Other Information — 9. Qualification of Experts” in Appendix IV to this Prospectus has withdrawn its respective consent to the issue of this Prospectus with the inclusion of its reports, letters, opinions and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (ix) our Company withdraws this Prospectus and the Application Forms or the Global Offering.

Undertakings

Undertakings to the Hong Kong Underwriters

Undertakings by our Company

Under the Hong Kong Underwriting Agreement, our Company has undertaken to and covenanted with the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and the Hong Kong Underwriters that save as pursuant to the Global Offering (including pursuant to the Over-allotment Option) or the Capitalization Issue or issue of options or Shares under the Share Option Scheme, without the prior written consent of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters),

- (i) our Company will not at any time during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date (“**First Lock-up Period**”):
 - (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right, warrant or contract to purchase or subscribe for, lend, purchase any option, right, warrant or contract to sell, or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any interest therein (including, but not limited to, any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or
 - (b) enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such share capital or other securities of our Company or any interest therein; or
 - (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
 - (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in (a), (b) or (c) above,

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whether any of the foregoing transactions described in sub-paragraphs (a) to (c) above is to be settled by delivery of share capital or such other securities of our Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of shares or such other securities will be completed within the First Lock-up Period); and

- (ii) at any time during the six months commencing on the date which the First Lock-up Period expires (the “**Second Lock-up Period**”), in the event that our Company enters into any of the foregoing transactions described in paragraphs (i)(a), (b), (c) or agree or contract to, or publicly announce any intention to enter into any such transactions, as the case may be, our Company must take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Undertakings by our Controlling Shareholders

Under the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save as pursuant to the Global Offering, the Over-allotment Option or if applicable, the Stock Borrowing Agreement and the Capitalization Issue, without the prior written consent of the Joint Representatives, at any time during the First Lock-up Period, none of our Controlling Shareholders will:

- (i) offer, pledge, charge, mortgage, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (or enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of our Company or any interest therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly by our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial ownership (collectively the “**Lock-up Shares**”) (the foregoing restriction is expressly agreed to preclude our Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than our Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any short sale or any sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities of our Company or any interest therein; or

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- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) to (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of the Group, as applicable, in cash or otherwise (whether or not the issue of shares or such other securities will be completed within the aforesaid period), save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules.

During the Second Lock-up Period, our Controlling Shareholders will not enter into any of the foregoing transactions in sub-clauses (i), (ii) or (iii) above or agree or contract to, or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders will cease to be a “controlling shareholder” (as defined under the Listing Rules) of our Company.

Until the expiry of the Second Lock-up Period, in the event that any of our Controlling Shareholders enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Under Rule 10.08 of the Listing Rules, no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such an issue of Shares or our securities will be completed within six months from the Listing Date), except (1) pursuant to the Global Offering (including any exercise of the Over-allotment Option); or (2) in certain circumstances as prescribed by Rule 10.08(1) to (5) of the Listing Rules.

Undertakings by our Controlling Shareholders

Under Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to us and to the Stock Exchange that they shall not, and procure that the relevant registered holder(s) of our Shares shall not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange (the “**First Six Month Period**”), 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 Shares or our securities in respect of which they are shown by this Prospectus to be the beneficial owner; or

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- (b) at any time during the period of six months commencing on the date on which the First Six Month Period expires (the “**Second Six Month Period**”), 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 Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be our controlling shareholders (as defined in the Listing Rules).

In accordance with Note (3) of Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to us and the Stock Exchange that, during the First Six Month Period and the Second Six Month Period, he/it will:

- (1) when he/it pledges or charges any securities of our Company beneficially owned by him/it in favor of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (2) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform us of such indications.

Under Note (3) to Rule 10.07 (2) of the Listing Rules, we are required to inform the Stock Exchange as soon as practicable after we have been informed of the matters referred to in (1) or (2) above by any of our Controlling Shareholders and disclose such matters by way of an announcement in compliance with the Listing Rules.

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the International Underwriters on or around the Price Determination Date. It is expected that under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally agree to subscribe for or procure subscribers to subscribe for the International Offer Shares to be initially being offered under the International Offering (subject to reallocation) on and subject to the terms of the International Underwriting Agreement. The International Underwriting Agreement is expected to contain force majeure provisions as that contained in the Hong Kong Underwriting Agreement as mentioned above. In the event that the International Underwriting Agreement is not entered into on or around the Price Determination Date, or does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed and will lapse.

It is expected that under the International Underwriting Agreement, our Company will grant the Over-allotment Option to the International Underwriters, exercisable at the discretion of the Joint Representatives (for themselves and on behalf of the International Underwriters) to require our Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to allot and issue up to an aggregate of 60,000,000 additional new Shares, representing 15% of the Offer Shares

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initially being offered under the Global Offering, on the same terms as those applicable to the Global Offering, to cover over-allocations in the International Offering.

Commission and expenses

Pursuant to the terms of the Hong Kong Underwriting Agreement, our Company has agreed to pay to the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and, in the case of the International Underwriting Agreement, our Company will agree to pay to the Joint Representatives (for themselves and on behalf of the International Underwriters), an underwriting commission of 3% of the aggregate final Offer Price payable for the Offer Shares (including the Shares to be issued under the Over-allotment Option), out of which they will (as the case may be) pay any sub-underwriting commissions. Our Company may, at its sole and absolute discretion, pay an additional incentive fee to the Joint Bookrunners based on a percentage of the aggregate sale proceeds of the Global Offering to be determined before the Listing. Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK\$2.81 (being the mid-point of the Offer Price range of HK\$2.25 per Offer Share and HK\$3.37 per Offer Share), such underwriting commissions and fees (excluding discretionary incentive fee, if any), together with the Stock Exchange listing fees, the Stock Exchange trading fees, SFC transaction levy, legal and other professional fees, applicable printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$76.1 million in total and will be payable by our Company.

Underwriters' interests in our Company

Save for their respective obligations and interests under the Underwriting Agreements as disclosed above, none of the Underwriters has any shareholding interest in our Company or any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group nor any interest in the Global Offering.

Joint Sponsors' independence

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process. It should be noted that when engaging in any these activities the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, none of the Underwriters (except for the Stabilizing Manager, its affiliate(s) or any person(s) acting for it for the purpose of taking any stabilizing action) will, and each of the Underwriters will procure that none of its respective affiliates and agents will, in connection with the distribution of the Offer Shares, effect, cause or authorize any other person to effect any transactions including, but not limited to issuing options or derivatives on the underlying Shares (whether in the open

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market or otherwise and whether in Hong Kong or elsewhere) with a view to stabilizing or maintaining the market price of any of the Shares at a level higher than that which might otherwise prevail in the open market or any action which is designed to or which constitutes or which might be expected to, cause or result in the stabilization or manipulation, in violation of applicable laws, of the price of any security of our Company; and

- (b) none of the Underwriters (other than the Stabilizing Manager or its affiliate(s) or any other person(s) acting for it for the purpose of taking any stabilizing action), will, during the period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, issue any warrant, option or derivative on the underlying Shares (whether in the open market or otherwise), except with the prior written consent of the Stabilizing Manager.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering” section of this Prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

The Global Offering comprises the International Offering and the Hong Kong Public Offering. A total of 400,000,000 Shares will initially be made available under the Global Offering, of which 360,000,000 Shares, representing 90% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription under the International Offering. The remaining 40,000,000 Shares, representing 10% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription under the Hong Kong Public Offering. The number of Shares offered for subscription under the International Offering and the Hong Kong Public Offering will be subject to re-allocation on the basis described below and the number of Shares offered for subscription under the International Offering will also be subject to the exercise of the Over-allotment Option below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have indicated interest in Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering.

The Hong Kong Public Offering is open to the public as well as to institutional, professional and private investors in Hong Kong. The International Offering involves selective marketing of the International Offer Shares by the International Underwriters to professional, institutional and private investors in Hong Kong and other jurisdictions outside the United States 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. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. The Offer Shares are not available for subscription by existing beneficial owner of the Shares, our Directors, chief executive of our Company or their respective close associates, or any other core connected persons (as defined under the Listing Rules) of our Company or persons who will become core connected persons of our Company immediately upon completion of the Global Offering.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional upon the satisfaction of all of, among others, the following conditions:

- (i) the Listing Committee having granted the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Global Offering, the Capitalization Issue and Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme (and such listing and permission having not subsequently been revoked prior to the commencement of dealings in the Shares on the Stock Exchange);

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- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the entering into of the International Underwriting Agreement between, among others, our Company and the International Underwriters, on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under the Underwriting Agreements having become and remained unconditional and not having been terminated in accordance with the terms of the respective agreements.

in each case on or before the dates and times specified in the respective Underwriting Agreements and in any event not later than the date which is the 30th day after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified under the Underwriting Agreements, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.sinozsw.com on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares” in this Prospectus.

In the meantime, your application money will be held in one or more separate bank account(s) with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Thursday, March 12, 2020 but will only become valid certificates of title at 8:00 a.m. on Friday, March 13, 2020 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in “Underwriting — Underwriting Arrangements and Expenses — Grounds for termination” in this Prospectus has not been exercised. Investors who trade the Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFERING

Our Company is initially offering, at the Offer Price, 40,000,000 Shares (subject to re-allocation as mentioned in “— Re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering” below in this section), representing 10% of the total number of Shares being initially offered under the Global Offering, to all members of the public in Hong Kong for subscription under the Hong Kong Public Offering (before any exercise of the Over-allotment Option). Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent 2.5% of our Company’s issued share capital immediately after completion of the Global Offering and the Capitalization Issue

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without taking into account any Shares which may be issued and allotted upon any exercise of Over-allotment Option and the options which may be granted under the Share Option Scheme.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. Applicants for the Hong Kong Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

The total number of the Offer Shares (without taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering) available under the Hong Kong Public Offering is to be divided into two pools of 20,000,000 Hong Kong Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- 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 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; 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 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

For the purpose of this section only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B but not both.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A or pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by each applicant. When there is over subscription under the Hong Kong Public Offering, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. The results of the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares (with successful applicants’ identification document numbers, where appropriate) are expected to be published on the Stock Exchange’s website at **www.hkexnews.hk** and on our Company’s website at **www.sinozsw.com**.

Applications under the Hong Kong Public Offering from investors receiving the International Offer Shares under the International Offering will be identified and rejected and investors receiving

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the Hong Kong Offer Shares under the Hong Kong Public Offering will not be offered the International Offer Shares under the International Offering. Multiple applications or suspected multiple applications or applications for more than 50% of the Hong Kong Offer Shares initially available for public subscription under the Hong Kong Public Offering (i.e. to apply for more than 20,000,000 Hong Kong Offer Shares) are liable to be rejected.

The Joint Representatives (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The completion of the Hong Kong Public Offering is subject to the conditions as stated in “— Conditions of the Global Offering” above in this section.

THE INTERNATIONAL OFFERING

Our Company is initially offering, at the Offer Price, 360,000,000 Shares (subject to re-allocation as mentioned in “— Re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering” below in this section), representing 90% of the total number of Shares being initially offered under the Global Offering (before any exercise of the Over-Allotment Option), for subscription by way of International Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of International Offer Shares will represent 22.5% of our Company's issued share capital immediately after completion of the Global Offering and the Capitalization Issue without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

The International Offering will be managed by the Joint Global Coordinators and is expected to be fully underwritten by the International Underwriters. Pursuant to the International Offering, it is expected that the International Underwriters or any selling agents which they nominate will, on behalf of our Company, conditionally place the International Offer Shares at the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. It is expected that the International Underwriting Agreement will be executed on or around the Price Determination Date.

Allocation of the International Offer Shares to professional, institutional and private investors pursuant to the International Offering will be effected in accordance with the book-building process

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and 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 investor is likely to purchase further Shares, or hold or sell the Shares placed, after Listing. Such allocation is intended to result in a distribution of the International Offer Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of our Company and our Shareholders taken as a whole. Investors to whom International Offer Shares are offered are required to undertake not to apply for the Hong Kong Offer Shares under the Hong Kong Public Offering. The level of indication of interest in the International Offering is expected to be published on the Stock Exchange's website at www.hkexnews.hk and on our Company's website at www.sinozsw.com. The completion of the International Offering is subject to the conditions stated in "— Conditions of the Global Offering" above in this section.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE HONG KONG PUBLIC OFFERING AND THE INTERNATIONAL OFFERING

The allocation of the Offer Shares between the International Offering and the Hong Kong Public Offering is subject to re-allocation. If the International Offering is fully subscribed or oversubscribed and the number of Offer Shares validly applied for in the Hong Kong Public Offering:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, then 80,000,000 Shares will be re-allocated to the Hong Kong Public Offering from the International Offering, so that an aggregate of 120,000,000 Shares will be available under the Hong Kong Public Offering, representing 30% of the Offer Shares initially available under the Global Offering;
- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, then 120,000,000 Shares will be re-allocated to the Hong Kong Public Offering from the International Offering, so that an aggregate of 160,000,000 Shares will be available under the Hong Kong Public Offering, representing 40% of the Offer Shares initially available under the Global Offering;
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Hong Kong Public Offering, then 160,000,000 Shares will be re-allocated to the Hong Kong Public Offering from the International Offering, so that an aggregate of 200,000,000 Shares will be available under the Hong Kong Public Offering, representing 50% of the Offer Shares initially available under the Global Offering; and
- (d) in each of the above cases, the number of Shares allocated to the International Offering will be correspondingly reduced, subject to the exercise of the Over-allotment Option.

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives have the absolute discretion to re-allocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offering to the International Offering in such number as it deems appropriate to satisfy the demand under the International Offering. In addition, the Joint Representatives may in their discretion reallocate Offer Shares from the International Offering to the

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Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Joint Representatives have the authority to re-allocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as it deems appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the number of International Offer Shares re-allocated to the Hong Kong Public Offering should not exceed 40,000,000 Shares, representing 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 80,000,000 Shares; and (ii) the final Offer Price should be fixed at the low-end of the indicative Offer Price range (i.e. HK\$2.25 per Offer Share) stated in this Prospectus. Details of any re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement, which is expected to be made on Thursday, March 12, 2020.

In all cases, the additional Shares re-allocated to the Hong Kong Public Offering will be allocated, if applicable, equally between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Joint Representatives deem appropriate.

In the event that both the Hong Kong Public Offering and the International Offering are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe 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.

OVER-ALLOTMENT OPTION

It is expected that under the International Underwriting Agreement, our Company will grant the Over-allotment Option to the International Underwriters, exercisable at the discretion of the Joint Representatives (for themselves and on behalf of the International Underwriters) to require our Company at any time within a period commencing from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to allot and issue up to an aggregate of 60,000,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, on the same terms as those applicable to the Global Offering, to cover over-allocations in the International Offering. The additional Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option will be allocated to the International Offering and/or to satisfy the Joint Representatives' obligation to return Shares borrowed under the Stock Borrowing Agreement. The Joint Representatives may also cover any over-allocations under the International Offering through the purchase of Shares in the secondary market or otherwise as may be permitted under applicable laws. Any purchases of Shares in the market to cover the over-allocations will be made at prices not exceeding the Offer Price. The number of Shares that may be over-allocated may not be greater than the number of Shares that may be allotted and issued pursuant to the exercise

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of the Over-allotment Option. Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalization Issue (without taking into account any shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent about 27.71% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, the Capitalization Issue and the exercise of the Over-allotment Option in full (without taking into account any shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme). In the event that the Over-allotment Option is exercised, an announcement will be made on the Stock Exchange's website at www.hkexnews.hk and on our Company's website at www.sinozsw.com.

Based on an Offer Price of HK\$2.81 per Offer Share (being the mid-point of the Offer Price range between HK\$2.25 per Offer Share and HK\$3.37 per Offer Share), the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised and after deducting related expenses, are estimated to be about HK\$1,042.2 million. If the Over-allotment Option is exercised in full, our Company will receive additional net proceeds of about HK\$162.7 million, after deducting commissions and expenses attributable to the exercise of the Over-allotment Option.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date, which is currently scheduled on Thursday, March 5, 2020, but in any event no later than on Monday, March 9, 2020. **If, for any reason, the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Monday, March 9, 2020, the Global Offering will not become unconditional and will lapse.**

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the Offer Price range as stated in this Prospectus. The Offer Price will not be more than HK\$3.37 per Offer Share and is expected to be not less than HK\$2.25 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this Prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range as stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on our Company's website at www.sinozsw.com and the website of the Stock Exchange at www.hkexnews.hk notice of such a change. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our

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Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of 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 addition, our Company is required to (i) issue a supplemental Prospectus informing potential investors of, among other things, the changes to the Global Offering, including the change in the Offer Price range and offer period and the impact of such change on the sufficiency of working capital and use of proceeds; and (ii) extend the offer period to allow potential investors to have sufficient time to consider and require them to positively confirm their applications for the Hong Kong Offer Shares in light of the change in the Offer Price range, or their applications will be rejected. In the absence of any notice being published on our Company’s website at www.sinozsw.com and the website of the Stock Exchange at www.hkexnews.hk of a reduction in the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range as stated in this Prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

We expect to announce the final Offer Price, the level of indication of interests under the International Offering and the basis of allotment of the Hong Kong Offer Shares under the Hong Kong Public Offering on or before Thursday, March 12, 2020 on our Company’s website at www.sinozsw.com and the website of the Stock Exchange at www.hkexnews.hk.

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS or by applying through **HK eIPO White Form** service which will be made available as described in “How to Apply for Hong Kong Offer Shares — 11. Publication of Results” in this Prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$3.37 per Offer Share and is expected to be not less than HK\$2.25 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK\$3.37 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,403.96 per board lot of 1,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$3.37 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares” in this Prospectus.

STABILIZATION ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market

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price of the securities below the Offer Price. In Hong Kong, activities aimed at reducing the market price are prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if taken, will be conducted at the absolute discretion of the Stabilizing 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 the lodging applications under the Hong Kong Public Offering. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing 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 minimizing 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 paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time period for which the Stabilizing Manager will maintain such a long position;
- liquidation of any such long position by the Stabilizing 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 stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on April 4, 2020, being the 30th day after the last day of closing of the application lists 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 any security (including the Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the

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Offer Shares. Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, March 13, 2020, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m., Friday, March 13, 2020. The Shares will be traded in board lots of 1,000 Shares.

HOW TO APPLY FOR 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 Offer 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 in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or 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 Joint Representatives, 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 will be acquiring the Hong Kong Offer Shares in an offshore transaction and are not a U.S. person (as defined in Regulation S); 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 authorized 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 Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney’s authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive of our Company and/or any of its subsidiaries;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. 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 **HK eIPO White Form** service in the **IPO App** or the designated website at 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.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this Prospectus during normal business hours from 9:00 a.m. on Friday, February 28, 2020 until 12:00 noon on Thursday, March 5, 2020 from:

- (i) the following offices of the Hong Kong Underwriters:

<u>Name</u>	<u>Address</u>
Haitong International Securities Company Limited	22nd Floor, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
BOCOM International Securities Limited	9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
AMTD Global Markets Limited	23/F – 25/F Nexxus Building 41 Connaught Road Central Hong Kong
Guotai Junan Securities (Hong Kong) Limited	27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Shenwan Hongyuan Securities (H.K.) Limited	Level 19, 28 Hennessy Road Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

<u>Name</u>	<u>Address</u>
Futu Securities International (Hong Kong) Limited	Unit C1-2, 13/F, United Centre, No. 95 Queensway Hong Kong
Victory Securities Company Limited	11th Floor, Yardley Commercial Building, 3 Connaught Road West, Sheung Wan Hong Kong
Yue Xiu Securities Company Limited	1003-1005, Siu On Centre, 188 Lockhart Road, Wanchai Hong Kong
SBI China Capital Financial Services Limited	4/F, Henley Building No.5 Queen's Road Central Hong Kong
Sinomax Securities Limited	2705-6, 27/F, Tower One, Lippo Centre 89 Queensway Hong Kong
Guoyuan Capital (Hong Kong) Limited	17/Floor, Three Exchange Square, 8 Connaught Place Hong Kong

(ii) any of the designated outlets of the receiving bank:

Bank of Communications Co., Ltd. Hong Kong Branch

<u>District</u>	<u>Outlet Name</u>	<u>Address</u>
Hong Kong Island	Business Department	Unit B B/F. & G/F., Unit C G/F., Wheelock House, 20 Pedder Street, Central
Kowloon	Kowloon Sub-Branch	G/F., 563 Nathan Road
New Territories	Sheung Shui Sub-Branch	Shops 1010-1014, G/F., Sheung Shui Centre, Sheung Shui

You can collect a **YELLOW** Application Form and a copy of this Prospectus during normal business hours from 9:00 a.m. on Friday, February 28, 2020 until 12:00 noon on Thursday, March 5, 2020 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 Communications (Nominee) Co. Ltd. — China Bright Culture Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the outlets of the receiving bank listed above, at the following times:

- Friday, February 28, 2020 – 9:00 a.m. to 5:00 p.m.
- Saturday, February 29, 2020 – 9:00 a.m. to 1:00 p.m.
- Monday, March 2, 2020 – 9:00 a.m. to 5:00 p.m.
- Tuesday, March 3, 2020 – 9:00 a.m. to 5:00 p.m.
- Wednesday, March 4, 2020 – 9:00 a.m. to 5:00 p.m.
- Thursday, March 5, 2020 – 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR HONG KONG OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, March 5, 2020, the last application day or such later time as described in “— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” below 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.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Representatives (or their 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;
- (ii) agree to comply with the Companies Law, the Companies (WUMP) Ordinance and the Articles;
- (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 Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, the Hong Kong Share Registrar, the receiving bank, 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 Joint

HOW TO APPLY FOR HONG KONG OFFER SHARES

Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers 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;

- (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 (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) 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 of such Shares allocated to you under the application;
- (xv) authorize 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 check(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 check(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 Joint Representatives 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 (a) 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 (b) 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 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 set out in “— 2. Who Can Apply” above in this 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 **IPO App** or the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or 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 **IPO App** or the designated website, you authorize 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

You may submit your application to the **HK eIPO White Form** Service Provider through the **IPO App** or the designated website at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, February 28, 2020 until 11:30 a.m. on Thursday, March 5, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, March 5, 2020 or such later time under “— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” below in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, 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** more than once and obtaining different payment 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 (WUMP) 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

HOW TO APPLY FOR 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 copy of this 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 authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Representatives and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares 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;
- (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 stock account;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to accept the Hong Kong Offer Shares applied for or any lesser number of such Shares 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 Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, the Directors, the Joint Sponsors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize 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 Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, our Hong Kong Share Registrar, receiving bank and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- 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

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 (WUMP) 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 (WUMP) Ordinance and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

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 authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the 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

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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 authorized 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 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 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 (Note)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:⁽¹⁾

- Friday, February 28, 2020 — 9:00 a.m. to 8:30 p.m.
- Saturday, February 29, 2020 — 8:00 a.m. to 1:00 p.m.
- Monday, March 2, 2020 — 8:00 a.m. to 8:30 p.m.
- Tuesday, March 3, 2020 — 8:00 a.m. to 8:30 p.m.
- Wednesday, March 4, 2020 — 8:00 a.m. to 8:30 p.m.
- Thursday, March 5, 2020 — 8:00 a.m. to 12:00 noon

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, February 28, 2020 until 12:00 noon on Thursday, March 5, 2020 (24 hours daily, except on Thursday, March 5, 2020, being the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, March 5, 2020, the last application day or such later time as described in “— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” below 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.

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Section 40 of the Companies (WUMP) 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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. Our Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers 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.

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 Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, March 5, 2020.

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.

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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).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** or **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, 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 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the **IPO App** or 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 of the Offer Price, please see “Structure of the Global Offering — Determining the Offer Price” in this Prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;

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- a “black” rainstorm warning; and/or
- an announcement of “extreme conditions” by the government of Hong Kong in accordance with the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department in June 2019.

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, March 5, 2020. 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 and/or Extreme Conditions 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 Thursday, March 5, 2020 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “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 Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, March 12, 2020 on our Company’s website at www.sinozsw.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.sinozsw.com and the Stock Exchange’s website at www.hkexnews.hk by no later than Thursday, March 12, 2020;
- from “Allotment Result” function in the **IPO App** or 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 Thursday, March 12, 2020 to 12:00 midnight on Wednesday, March 18, 2020;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, March 12, 2020 to Tuesday, March 17, 2020 (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, March 12, 2020 to Saturday, March 14, 2020 at all designated outlets of the receiving bank.

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.

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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.

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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) 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 Joint Representatives, 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.

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(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Representatives believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$3.37 per Offer Share (excluding brokerage, 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, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, March 12, 2020.

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

HOW TO APPLY FOR HONG KONG OFFER SHARES

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
- refund check(s) crossed “Account Payee Only” in favor 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, 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 check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on or before Thursday, March 12, 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, March 13, 2020 provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” 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 have provided all information required by your Application Form, you may collect your refund check(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, March 12, 2020 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

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If you do not collect your refund check(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.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, March 12, 2020, 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 for collection of your refund check(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Thursday, March 12, 2020, 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 Thursday, March 12, 2020, or in the event of a 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*

Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" above in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, March 12, 2020 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 Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, March 12, 2020, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

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If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, March 12, 2020 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 check(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 Thursday, March 12, 2020, 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 "— 11. Publication of Results" above in this section on Thursday, March 12, 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. Thursday, March 12, 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, March 12, 2020. 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

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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, 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 Thursday, March 12, 2020.

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 arrangements as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-44, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA BRIGHT CULTURE GROUP, HAITONG INTERNATIONAL CAPITAL LIMITED AND BOCOM INTERNATIONAL (ASIA) LIMITED

Introduction

We report on the historical financial information of China Bright Culture Group (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-44, which comprises the consolidated statements of financial position of the Group as at December 31, 2016, 2017 and 2018 and August 31, 2019, the statement of financial position of the Company as at August 31, 2019 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2016, 2017 and 2018 and the eight months ended August 31, 2019 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-44 forms an integral part of this report, which has been prepared for inclusion in the Prospectus of the Company dated February 28, 2020 (the "Prospectus") in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company 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 ("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' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2016, 2017 and 2018 and August 31, 2019 and the Company's financial position as at August 31, 2019, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the eight months ended August 31, 2018 and other explanatory information (the “Stub Period Corresponding Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding 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 enquiries, 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 Stub Period Corresponding Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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-5 have been made.

Dividends

We refer to Note 23(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared by the Company since its incorporation.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

February 28, 2020

Historical financial information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所 (特殊普通合夥)) in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

Consolidated statements of profit or loss

	Note	Years ended December 31,			Eight months ended August 31,	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	4	127,840	160,429	282,931	259,286	222,708
Cost of sales		(77,578)	(71,123)	(166,978)	(156,758)	(132,203)
Gross profit		50,262	89,306	115,953	102,528	90,505
Other net income	5	270	331	11,375	9,288	443
Selling and marketing expenses		(11,566)	(11,559)	(7,968)	(5,092)	(6,037)
General and administrative expenses		(15,872)	(17,222)	(26,593)	(36,605)	(17,282)
Profit from operations		23,094	60,856	92,767	70,119	67,629
Net finance expenses	6(a)	(4,577)	(3,577)	(2,427)	(1,551)	(5,515)
Profit before income tax	6	18,517	57,279	90,340	68,568	62,114
Income tax (expense)/credit	7	(4,653)	(1,196)	(4,607)	1,868	(15,377)
Profit for the year/period		<u>13,864</u>	<u>56,083</u>	<u>85,733</u>	<u>70,436</u>	<u>46,737</u>
Attributable to:						
Equity shareholders of the Company		13,864	56,212	86,258	70,961	46,737
Non-controlling interests		—	(129)	(525)	(525)	—
Profit for the year/period		<u>13,864</u>	<u>56,083</u>	<u>85,733</u>	<u>70,436</u>	<u>46,737</u>
Earnings per share	10					
Basic and diluted (RMB)		0.03	0.11	0.15	0.12	0.08

The accompanying notes form part of this Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income

Note	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period	13,864	56,083	85,733	70,436	46,737
Other comprehensive income for the year/period (after tax and reclassification adjustments)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation into presentation currency of the Group	—	—	—	—	2,183
Other comprehensive income for the year/period	—	—	—	—	2,183
Total comprehensive income for the year/period	<u>13,864</u>	<u>56,083</u>	<u>85,733</u>	<u>70,436</u>	<u>48,920</u>
Attributable to:					
Equity shareholders of the Company	13,864	56,212	86,258	70,961	48,920
Non-controlling interests	—	(129)	(525)	(525)	—
Total comprehensive income for the year/period	<u>13,864</u>	<u>56,083</u>	<u>85,733</u>	<u>70,436</u>	<u>48,920</u>

The accompanying notes form part of this Historical Financial Information.

APPENDIX I**ACCOUNTANTS' REPORT****Consolidated statements of financial position**

		As at December 31,			As at
	Note	2016	2017	2018	August 31,
		RMB'000	RMB'000	RMB'000	2019
					RMB'000
Non-current assets					
Property, plant and equipment	11	770	1,976	1,515	1,685
Right-of-use assets	12	1,009	12,423	9,483	18,677
Deferred tax assets	22(b)	3,013	3,031	867	3,028
		<u>4,792</u>	<u>17,430</u>	<u>11,865</u>	<u>23,390</u>
Current assets					
Program copyrights	13	–	17,142	64,390	170,106
Trade receivables	14	109,342	133,494	203,854	375,726
Prepayments and other receivables	15	8,946	53,502	27,092	20,047
Cash and cash equivalents	16	325	21,225	64,368	47,544
		<u>118,613</u>	<u>225,363</u>	<u>359,704</u>	<u>613,423</u>
Current liabilities					
Bank loans and other borrowings	17	–	20,000	30,000	35,000
Contract liabilities	18	–	2,651	–	10,217
Trade payables	19	21,877	13,700	5,993	31,908
Accruals and other payables	20	57,615	10,347	42,715	53,154
Lease liabilities	21	593	3,822	2,563	5,019
Current taxation	22(a)	7,462	1,438	2,543	17,314
		<u>87,547</u>	<u>51,958</u>	<u>83,814</u>	<u>152,612</u>
Net current assets		<u>31,066</u>	<u>173,405</u>	<u>275,890</u>	<u>460,811</u>
Total assets less current liabilities		<u>35,858</u>	<u>190,835</u>	<u>287,755</u>	<u>484,201</u>
Non-current liabilities					
Lease liabilities	21	412	8,306	5,839	12,862
NET ASSETS		<u>35,446</u>	<u>182,529</u>	<u>281,916</u>	<u>471,339</u>
Equity					
Share capital	23	–	–	–	45
Reserves	23	35,446	181,658	281,916	471,294
Equity attributable to the equity shareholders of the Company		35,446	181,658	281,916	471,339
Non-controlling interests		–	871	–	–
TOTAL EQUITY		<u>35,446</u>	<u>182,529</u>	<u>281,916</u>	<u>471,339</u>

The accompanying notes form part of this Historical Financial Information.

Statement of financial position of the Company

	Note	As at August 31, 2019 RMB'000
Current assets		
Prepayments and other receivables		95,687
Cash and cash equivalents		23,391
		<u>119,078</u>
NET ASSETS		<u>119,078</u>
Equity		
Share capital	23	45
Reserves	23	<u>119,033</u>
TOTAL EQUITY		<u>119,078</u>

The accompanying notes form part of this Historical Financial Information.

Consolidated statements of changes in equity

	Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Capital reserves	Exchange reserves	Retained profit	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2016	23(c)(i)	–	–	5,000	–	11,976	16,976	–	16,976
Changes in equity for 2016:									
Profit and other comprehensive income for the year		–	–	–	–	13,864	13,864	–	13,864
Capital injection from owners of companies comprising the Group	23(c)(ii)	–	–	4,606	–	–	4,606	–	4,606
Balance at December 31, 2016 and January 1, 2017		–	–	9,606	–	25,840	35,446	–	35,446
Changes in equity for 2017:									
Profit and other comprehensive income for the year		–	–	–	–	56,212	56,212	(129)	56,083
Capital injection from owners of companies comprising the Group	23(c)(iii)	–	–	90,000	–	–	90,000	1,000	91,000
Balance at December 31, 2017 and January 1, 2018		–	–	99,606	–	82,052	181,658	871	182,529
Changes in equity for 2018:									
Profit and other comprehensive income for the year		–	–	–	–	86,258	86,258	(525)	85,733
Capital injection from owners of companies comprising the Group	23(c)(iv)	–	–	14,000	–	–	14,000	–	14,000
Disposal of a subsidiary		–	–	–	–	–	–	(346)	(346)
Balance at December 31, 2018		–	–	113,606	–	168,310	281,916	–	281,916
Balance at January 1, 2019		–	–	113,606	–	168,310	281,916	–	281,916
Changes in equity for 2019:									
Profit for the period		–	–	–	–	46,737	46,737	–	46,737
Other comprehensive income		–	–	–	2,183	–	2,183	–	2,183
Total comprehensive income		–	–	–	2,183	46,737	48,920	–	48,920
Capital injection from owners of the Company		45	116,958	–	–	–	117,003	–	117,003
Capital injection from owners of companies comprising the Group	23(c)(v)	–	–	23,500	–	–	23,500	–	23,500
Balance at August 31, 2019		45	116,958	137,106	2,183	215,047	471,339	–	471,339
Balance at January 1, 2018		–	–	99,606	–	82,052	181,658	871	182,529
Changes in equity for 2018:									
Profit and other comprehensive income for the period (unaudited)		–	–	–	–	70,961	70,961	(525)	70,436
Disposal of a subsidiary (unaudited)		–	–	–	–	–	–	(346)	(346)
Balance at August 31, 2018		–	–	99,606	–	153,013	252,619	–	252,619

The accompanying notes form part of this Historical Financial Information.

Consolidated cash flow statements

		Years ended December 31,			Eight months ended August 31,	
	Note	2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Cash flows from operating activities						
Net cash (used in)/generated from operations	16(b)	(32,250)	(39,779)	8,124	(13,253)	(170,162)
Income taxes paid	22(a)	(21)	(7,238)	(1,338)	(1,338)	(2,767)
Net cash (used in)/generated from operating activities		(32,271)	(47,017)	6,786	(14,591)	(172,929)
Cash flows from investing activities						
Interest received		10	22	102	161	266
Disposal of a subsidiary		–	–	921	721	–
Payments for the purchase of property, plant and equipment		(424)	(1,666)	(1,465)	(1,031)	(695)
Receipt from investment income		–	615	–	–	–
Receipt from repayment of loan to a third party		–	4,500	–	–	–
Net cash (used in)/generated from investing activities		(414)	3,471	(442)	(149)	(429)
Cash flows from financing activities						
Capital injection from owners of companies comprising the Group		4,606	90,000	14,000	–	140,503
Proceeds from interest-bearing borrowings	16(c)	37,500	20,000	50,000	50,000	60,000
Repayment of interest-bearing borrowings	16(c)	(10,000)	(37,500)	(20,000)	(20,000)	(40,000)
Borrowing costs paid	16(c)	(2,308)	(4,643)	(2,826)	(2,167)	(2,307)
Interest element of finance lease rentals paid	16(c)	(60)	(279)	(530)	(373)	(595)
Capital element of lease rentals paid		(377)	(2,132)	(3,845)	(2,570)	(2,804)
Proceeds from/(repayment to) a related party	16(c)	2,000	(2,000)	–	–	(446)
Proceeds from capital injection of non-controlling interest		–	1,000	–	–	–
Net cash generated from financing activities		31,361	64,446	36,799	24,890	154,351
Net (decrease) / increase in cash and cash equivalents		(1,324)	20,900	43,143	10,150	(19,007)
Cash and cash equivalents at the beginning of the year/period		1,649	325	21,225	21,225	64,368
Effect of exchange rate fluctuations on cash held		–	–	–	–	2,183
Cash and cash equivalents at the end of the year/period	16(a)	325	21,225	64,368	31,375	47,544

The accompanying notes form part of this Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 Basis of preparation and presentation of Historical Financial Information**

China Bright Culture Group (the “Company”) was incorporated in the Cayman Islands on May 28, 2019 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganization mentioned below. The Company and its subsidiaries (together, the “Group”) are principally engaged in the video content operation (the “Listing Business”).

Prior to the incorporation of the Company and the completion of the reorganization as described below, the Listing Business was carried out by Beijing Sino-Prosperity Culture Group Co., Ltd. (“Zhongguang Yusheng”) and its subsidiaries.

To rationalize the corporate structure in preparing for the initial public offering of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganization (the “Reorganization”) to establish the Company as the ultimate holding company of the companies comprising the Group, as detailed in the section headed “History, Reorganization and Corporate Structure” in the Prospectus.

As the Listing Business conducted by Zhongguang Yusheng is subject to foreign investment restrictions under the relevant PRC laws and regulations, as part of the Reorganization, Beijing Yusheng Culture Co., Ltd. (“WFOE”) an indirectly wholly owned subsidiary of the Company, entered into a series of contractual arrangements (the “Contractual Arrangements”) with Zhongguang Yusheng and its registered owners to operate the Listing Business.

The equity interests of Zhongguang Yusheng (“VIE”) are legally held by individuals and companies who act as registered owners of the VIE on behalf of the WFOE. The contractual agreements including exclusive business cooperation agreement, exclusive purchase agreement, shareholder rights entrustment agreement, share pledge agreement and spouse consent letter. Pursuant to the Contractual Arrangements, the WFOE has the power to direct activities that most significantly impact the VIE and the VIE’s subsidiaries, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIE and the VIE’s subsidiaries at its discretion. The WFOE considers that they also have the right to substantially all of the economic benefits of the VIE and have an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by the PRC laws and regulations at the minimum price possible.

The Group has determined that the Contractual Arrangements are in compliance with the PRC laws and regulations and are legally enforceable. However, uncertainties in the PRC legal system could limit the Group’s ability to enforce the Contractual Arrangements.

Upon the completion of the Reorganization, the Company became the holding company of the companies now comprising the Group. The Reorganization principally involved inserting certain investment holding companies with no substantive operations as the new holding companies of the Listing Business. There were no changes in the economic substance of the ownership and the business of the Group before and after the Reorganization. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the financial information of the Listing Business with the assets and liabilities recognized and measured at their historical carrying amounts prior to the Reorganization. Intra-group balances, transactions and unrealized gain/loss on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for each of the years ended December 31, 2016, 2017 and 2018 and eight months ended August 31, 2019 (the “Track Record Period”) as set out in this report include the financial performance and cash flows of the companies now comprising the Group (or where the companies were incorporated/established at a date later than January 1, 2016, for the period from the date of incorporation/establishment to August 31, 2019) as if the current group structure had been in existence and remained unchanged throughout the Track Record Period. The consolidated statements of financial position of the Group as at December 31, 2016, 2017 and 2018 and August 31, 2019 as set out in this report have been prepared to present the financial position of the companies now comprising the Group as of those dates as if the current group structure had been in existence as of the respective dates, taking into account the respective dates of incorporation/establishment, where applicable.

APPENDIX I

ACCOUNTANTS' REPORT

Upon completion of the Reorganization and as of the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company names	Place and date of incorporation/ establishment	Registered capital	Held by the Company	Held by the subsidiary	Principal activities	Name of statutory auditor
Directly held						
China Bright Culture (BVI) Limited	BVI May 29, 2019	1 ordinary share	100%	–	Investing holding company	NA
Indirectly held						
China Bright Culture Group Holdings Limited	Hong Kong June 18, 2019	1 ordinary share HK\$ 1	–	100%	Investing holding company	NA
Beijing Yusheng Culture Co., Ltd. (北京煜盛文化有限公司)*	Beijing, PRC July 15, 2019	USD 66,660,000	–	100%	Investing holding and consulting company	NA
Held through Contractual Arrangements						
Beijing Sino-Prosperity Culture Group Co., Ltd. (北京中广煜盛文化传播有限公司)*	Beijing, PRC April 3, 2014	RMB 5,984,381	–	100%	Video content production and operation	Beijing Xinghua Accounting Firm (Special General Partnership) (北京興華會計師事務所)
Zhejiang Dongyang Qianyuxing Video Culture Co., Ltd. (浙江東陽千雨杏影視文化有限公司)*	Dongyang, PRC August 17, 2016	RMB 10,000,000	–	100%	Video content production and operation	NA
Yili Zhongsheng Quanxing Media Co., Ltd. (“Yili Zhongsheng”) (伊犁中盛全興影視傳媒有限公司)*	Yili, PRC September 8, 2016	RMB 10,000,000	–	100%	Video content production and operation	Beijing Xinghua Accounting Firm (Special General Partnership) (北京興華會計師事務所)
Shanghai Yusheng Culture Co., Ltd. (上海煜盛文化傳媒有限公司)*	Shanghai, PRC December 25, 2018	RMB 100,000,000	–	100%	Video content production and operation	NA

(*) The English translation of the names is for reference only. The official names of these entities are in Chinese.

As of the date of this report, no audited financial statements have been prepared for the Company, China Bright Culture (BVI) Limited, China Bright Culture Group Holdings Limited, Beijing Yusheng Culture Co., Ltd., Zhejiang Dongyang Qianyuxing Video Culture Co., Ltd. and Shanghai Yusheng Culture Co., Ltd.. The statutory financial statements of Beijing Sino-Prosperity Culture Group Co., Ltd. and Yili Zhongsheng were prepared in accordance with the Accounting Standards for Business Enterprises published by the Ministry of Finance of the PRC.

All companies now comprising the Group have adopted December 31, as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IAS”) and Interpretations issued by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently applied all applicable new and revised IFRSs, including IFRS 15 *Revenue from contracts with customers*, IFRS 9 *Financial Instruments* and IFRS 16 *Leases* throughout the Track Record Period. The new and revised accounting standards and interpretations issued but neither effective for the accounting period beginning on January 1, 2019 nor adopted by the Group are set out in Note 28.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information, unless otherwise stated.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 Significant accounting policies

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousands, except for earnings per share information.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that other investment in debt securities are stated at their fair value as explained in note 2(c).

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized loss resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(k) or (l) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(c)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

(c) Other investments in debt securities

The Group's and the Company's policies for investment in debt investments, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt securities are recognized / derecognized on the date the Group commits to purchase / sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- Amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(p)(iv)).
- Fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit loss, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- Fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Investments in wealth management products of the Group are classified as fair value at profit or loss. Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(d) Property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment loss (see note 2(f)).

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment and right-of-use assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Motor vehicles	4 years
— Electronic equipment	3 years
— Office equipment	5 years
— Leasehold improvements	3 years
— Right-of-use assets	Over the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(d) and 2(f)(ii)), except for the following types of right-of-use asset:

- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

(f) Credit loss and impairment of assets

(i) Credit loss from financial instruments

The Group recognizes a loss allowance for expected credit loss (ECLs) on financial assets measured at amortized cost (including cash and cash equivalents and trade receivables).

Financial assets measured at fair value, including investments in wealth management products measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit loss. Credit loss are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- trade receivables: effective interest rate determined at initial recognition or an approximation thereof;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date and;
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 18 months past due. The Group 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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognized in accordance with note 2(p)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment; and
- right-of-use assets.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment loss recognized in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment loss are credited to profit or loss in the year in which the reversals are recognized.

(g) *Program copyright*

These represent legal rights of television programs and television drama series invested and produced by the Group. These rights are stated at cost less accumulated amortization and identified impairment loss. Costs of program copyright comprise fees/investments paid and payable under agreements, direct costs/expenses incurred during the production. The cost of program copyrights is amortized over a period which is normally within one year after the first customer's acceptance of the respective programs and is recognized as cost of sales in the statement of profit or loss. The period is determined based on the estimated beneficial period and individual title basis.

Impairment assessment of the program copyrights is assessed annually or on whenever events or changes in circumstances indicate that the carrying amount is below the recoverable amount, where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment loss is recognized in the consolidated statement of profit or loss. The recoverable amounts of the program copyrights are determined and reviewed on a title-by-title basis and are based on the higher of fair value less costs of disposal and value in use which include unobservable inputs and assumptions derived from the Group.

Any gain or loss arising from the disposal of program copyright is recognized in profit or loss. Gains or losses arising from the disposal of program copyright are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of disposal.

(h) *Contract liabilities*

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(p)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2(i)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(p)).

(i) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost using the effective interest method less allowance for credit loss (see note 2(f)(i)).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(f)(i).

(k) Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see note 2(r)).

(m) Employee benefits**(i) Short-term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax loss and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax loss and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Licensing of broadcasting rights of programs

Revenue from licensing of broadcasting rights of programs is recognized at a point when the control of the TV program has been transferred and accepted by the media platform.

(ii) Advertising

The Group recognizes the advertising revenue on a straight-line basis over the program broadcast period with customers in which the advertisements are displayed.

(iii) Licensing of Intellectual Property ("IP")

The Group authorizes corporate sponsor clients to use its program materials for their offline marketing activities. Revenue from licensing of IP is recognized on a straight-line basis over the period that the Group's performance obligation is satisfied over time and when the right to receive payment is established.

(iv) Interest income

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(f)(i)).

(v) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and subsequently are recognized in profit or loss over the useful life of the asset as other income.

(q) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The functional currency of the Company is USD. As the major operations of the Group are within mainland China, the consolidated financial statements are presented in RMB.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gain and loss are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities 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).
 - (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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Significant accounting judgments and estimates

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Historical Financial Information. The significant accounting policies are set out in Note 2. Other key sources of estimation uncertainty in the preparation of the Historical Financial Information are as follows:

(i) Deferred tax assets

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In assessing whether such temporary differences can be utilized in the future, the Group needs to make judgments and estimates on the ability of each of its subsidiaries to generate taxable income in the future years. The Group believes it has recorded adequate deferred taxes based on the prevailing tax rules and regulations and its current best estimates and assumptions. In the event that future tax rules and regulations or related circumstances change, adjustments to deferred taxation may be necessary which would impact the Group's results or financial position.

(ii) Credit loss of trade receivables

The Group recognize a loss allowance for ECLs financial assets measured at amortized cost. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial condition of the debtors and the general economic conditions were to deteriorate, actual write-offs would be higher than estimated.

4 Revenue and segment reporting**(a) Revenue**

The principal activities of the Group are video content operation.

The amount of each significant category of revenue is as follows:

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Content related program					
— Media platforms	59,071	82,519	221,772	198,406	210,916
— Corporate sponsors	64,578	61,207	59,272	58,993	11,792
	123,649	143,726	281,044	257,399	222,708
Others	4,191	16,703	1,887	1,887	—
	<u>127,840</u>	<u>160,429</u>	<u>282,931</u>	<u>259,286</u>	<u>222,708</u>

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years or periods are set out below:

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Customer A	59,071	73,208	*	*	*
Customer B	52,314	17,752	*	*	*
Customer C	*	28,302	*	*	*
Customer D	*	*	79,088	56,394	90,252
Customer E	*	*	141,509	141,509	*
Customer F	*	*	*	27,224	58,641
Customer G	*	*	*	*	42,453

(*) Transactions with these customers did not exceed 10% of the Group's revenue or did not have any transactions in the respective years or periods.

Details of concentrations of credit risk arising from this customer are set out in Note 24(a).

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Point in time	63,262	99,222	250,883	227,517	210,916
Over time	64,578	61,207	32,048	31,769	11,792
	<u>127,840</u>	<u>160,429</u>	<u>282,931</u>	<u>259,286</u>	<u>222,708</u>

(b) Segment reporting

All of the Group's operating assets are located in the PRC and all of the Company's revenue and operating profits are derived from the PRC during the Track Record Period. Accordingly, no segment analysis based on geographical locations is provided.

APPENDIX I

ACCOUNTANTS' REPORT

5 Other net income

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Advertising agency income (i)	–	–	10,377	9,020	–
Government grants	–	–	500	–	–
Investment income	270	233	–	–	–
Gain on disposal of a subsidiary	–	–	681	681	–
Others	–	98	(183)	(413)	443
	<u>270</u>	<u>331</u>	<u>11,375</u>	<u>9,288</u>	<u>443</u>

Note:

- (i) Advertising agency income represent the income from selling time slot to third parties which is bought from TV station.

6 Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

(a) Net finance expenses

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest income on bank deposits	(10)	(22)	(102)	(23)	(16)
Interest expense (note 16(c))	4,527	3,320	1,999	1,201	5,186
Interest on lease liabilities (note 16(c))	60	279	530	373	595
Net foreign exchange gain	–	–	–	–	(250)
Net finance expense	<u>4,577</u>	<u>3,577</u>	<u>2,427</u>	<u>1,551</u>	<u>5,515</u>

(b) Staff costs

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, wages and other benefits	2,480	7,017	10,923	7,359	9,200
Contributions to defined contribution retirement plan (i)	218	550	984	660	911
	<u>2,698</u>	<u>7,567</u>	<u>11,907</u>	<u>8,019</u>	<u>10,111</u>

Note:

- (i) Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

APPENDIX I

ACCOUNTANTS' REPORT

(c) Other items

The following expenses are included in cost of sales, selling and marketing expenses, general and administration expenses and research and development expenses.

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cost of program copyright	64,343	71,037	138,675	128,456	132,203
Short-term leases	265	510	699	440	466
Depreciation and amortization					
— Property, plant and equipment	353	460	949	614	525
— Right-of-use assets	550	1,841	3,059	2,095	3,088
Loss allowance for trade and other receivables	10,981	8,443	11,138	25,779	(4,329)
Listing expenses	—	—	—	—	8,974
Auditors' remuneration					
— Audit service	26	255	283	142	52
— Other services	6	8	2	2	9

7 Income tax in the consolidated statements of profit or loss

(a) Income tax in the consolidated statements of profit or loss represents:

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax-PRC					
Enterprise Income Tax					
Provision for the year/ period	7,398	1,214	2,443	92	17,538
Deferred tax expense					
Origination and reversal of temporary differences	(2,745)	(18)	2,164	(1,960)	(2,161)
	<u>4,653</u>	<u>1,196</u>	<u>4,607</u>	<u>(1,868)</u>	<u>15,377</u>

(b) Reconciliation between income tax expense/ (credit) and accounting profit at applicable tax rates:

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before taxation	<u>18,517</u>	<u>57,279</u>	<u>90,340</u>	<u>68,568</u>	<u>62,114</u>
Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions (i)	4,629	14,320	22,585	17,142	15,887
Tax effect of:					
Non-deductible expenses and losses (ii)	5	410	316	54	2,851
Preferential tax rate applicable to a subsidiary (i)	—	(16,391)	(23,133)	(23,413)	(222)
Tax losses and temporary differences not recognized as deferred tax assets	19	2,857	5,046	4,349	104
Utilization of previously unrecognized tax losses and temporary differences	—	—	(207)	—	(3,243)
Actual tax expense/ (credit)	<u>4,653</u>	<u>1,196</u>	<u>4,607</u>	<u>(1,868)</u>	<u>15,377</u>

Notes:

- (i) Income tax rate applies to the Company and subsidiaries

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

The Group has no assessable profit in Hong Kong during the Track Record Period and is not subject to any Hong Kong profits tax. The Hong Kong profits tax rate during the Track Record Period is 16.5%.

In accordance with the Enterprise Income Tax Law ("Income Tax Law") of the PRC, enterprise income tax rate for the Group's PRC subsidiaries during the Track Record Period is 25%.

According to the relevant PRC income tax law, the Company's subsidiary, Yili Zhongsheng which was incorporated in Horgos is exempted from income taxes from October 1, 2016 to September 30, 2020.

- (ii) Non-deductible expenses and loss mainly represent expenses or losses that exceed the deductible limitation such as entertainment, donation and others.

8 Directors' emoluments

Directors' emoluments are as follows:

Year ended December 31, 2016							
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Liu Mu ("Mr. Liu")	–	82	18	3	103	–	103
Year ended December 31, 2017							
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Liu Mu	–	461	61	11	533	–	533
Year ended December 31, 2018							
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Liu Mu	–	1,097	121	36	1,254	–	1,254
Chen Jia	–	189	21	26	236	–	236
	–	1,286	142	62	1,490	–	1,490

Eight months ended August 31, 2018 (unaudited)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Liu Mu	–	742	–	17	759	–	759
Chen Jia	–	104	–	16	120	–	120
	–	846	–	33	879	–	879

Eight months ended August 31, 2019

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Liu Mu	–	859	–	36	895	–	895
Chen Jia	–	234	–	21	255	–	255
	–	1,093	–	57	1,150	–	1,150

Notes:

- (1) Mr. Liu and Ms. Chen Jia were appointed as executive directors of the Company on May 28, 2019 and August 7, 2019, respectively. All the executive directors are key management personnel of the Group during the Track Record Period and their remuneration disclosed above include those for services rendered by them as key management personnel.
- (2) Mr. Chen Kai was appointed as non-executive director of the Company on August 7, 2019. The Group did not pay any salary to the non-executive directors during the Track Record Period.
- (3) Ms. Ran Hua, Mr. Zhang Yiwu and Mr. Yu Kwok Kuen Harry were appointed as independent non-executive director of the Company on August 7, 2019. Mr. Yu Kwok Kuen Harry was resigned as independent non-executive director of the Company and Mr. Victor Huang was appointed as independent non-executive director of the Company on February 3, 2020. The Group did not pay any salary to the independent non-executive directors during the Track Record Period.

9 Individuals with highest emoluments

The number of directors and non-directors included in the five highest paid individuals for the years ended December 31, 2016, 2017 and 2018 and for the eight months ended August 31, 2018 and 2019 are set forth below:

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
				(unaudited)	
Directors	–	1	1	1	2
Non-directors	5	4	4	4	3
	5	5	5	5	5

The emoluments of the directors are disclosed in note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other emoluments	650	1,220	1,719	1,183	1,139
Retirement scheme contributions	68	72	177	119	100
	<u>718</u>	<u>1,292</u>	<u>1,896</u>	<u>1,302</u>	<u>1,239</u>

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
				(unaudited)	
Nil to HK\$1,000,000	5	4	4	4	3

10 Earnings per share

For the years ended 2016, 2017 and 2018 and eight months ended August 31, 2018 and 2019, the calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB13,864,000, RMB56,083,000, RMB85,733,000, RMB70,436,000 (unaudited) and RMB46,737,000 respectively and the weighted average of 501,652,000, 522,964,000, 582,510,000, 580,351,000 (unaudited) and 598,868,000 ordinary shares deemed to be in issue respectively on the assumption that the Reorganization (as disclosed in note 1) had been effective on January 1, 2016. However, it has not taken into account the capitalization issue of 543,420,696 shares pursuant to the written resolutions passed by the shareholders on February 7, 2020 as the capitalization issue has not become effective as at the date of this report.

Calculation of weighted average number of ordinary shares is as follows:

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	'000	'000	'000	'000	'000
				(unaudited)	
Ordinary shares deemed to be in issue at January 1,	501,305	505,155	580,351	580,351	588,476
Effect of capital injection	347	17,809	2,159	–	10,392
Weighted average number of ordinary shares during the year/period	<u>501,652</u>	<u>522,964</u>	<u>582,510</u>	<u>580,351</u>	<u>598,868</u>

There were no dilutive potential ordinary shares in existence during the Track Record Period.

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11 Property, plant and equipment

	Motor vehicles	Electronic equipment	Office equipment	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At January 1, 2016	–	62	30	624	716
Additions	–	81	6	337	424
At December 31, 2016 and January 1, 2017	–	143	36	961	1,140
Additions	199	140	56	1,271	1,666
At December 31, 2017 and January 1, 2018	199	283	92	2,232	2,806
Additions	–	1,023	259	183	1,465
Disposal of a subsidiary	–	(1,023)	(8)	–	(1,031)
At December 31, 2018 and January 1, 2019	199	283	343	2,415	3,240
Additions	–	57	38	600	695
At August 31, 2019	199	340	381	3,015	3,935
Accumulated depreciation:					
At January 1, 2016	–	(7)	(5)	(5)	(17)
Charge for the year	–	(39)	(8)	(306)	(353)
At December 31, 2016 and January 1, 2017	–	(46)	(13)	(311)	(370)
Charge for the year	(12)	(62)	(11)	(375)	(460)
At December 31, 2017 and January 1, 2018	(12)	(108)	(24)	(686)	(830)
Charge for the year	(47)	(89)	(19)	(794)	(949)
Written back on disposals	–	53	1	–	54
At December 31, 2018 and January 1, 2019	(59)	(144)	(42)	(1,480)	(1,725)
Charge for the period	(32)	(42)	(16)	(435)	(525)
At August 31, 2019	(91)	(186)	(58)	(1,915)	(2,250)
Net book value:					
At December 31, 2016	–	97	23	650	770
At December 31, 2017	187	175	68	1,546	1,976
At December 31, 2018	140	139	301	935	1,515
At August 31, 2019	108	154	323	1,100	1,685

12 Right-of-use assets

	Years ended December 31,			Eight months ended August 31,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At January 1,	1,559	1,559	14,814	14,933
Additions	–	13,255	119	12,282
At December 31./August 31,	1,559	14,814	14,933	27,215
Accumulated depreciation:				
At January 1,	–	(550)	(2,391)	(5,450)
Charge for year/period	(550)	(1,841)	(3,059)	(3,088)
At December 31./August 31,	(550)	(2,391)	(5,450)	(8,538)
Net book value:				
At December 31./August 31,	1,009	12,423	9,483	18,677

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13 Program copyrights

(a) Program copyrights in the consolidated statements of financial position comprise:

	As at December 31,			As at August 31,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Programs under production	–	12,302	53,622	170,106
Completed programs	–	4,840	10,768	–
	–	17,142	64,390	170,106

(b) Movement of program copyrights are as follows:

	As at December 31,			As at August 31,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1,	2,347	–	17,142	64,390
Additions	61,996	88,179	185,923	237,919
Recognized as cost of sales (note 6)	(64,343)	(71,037)	(138,675)	(132,203)
At December 31./August 31,	–	17,142	64,390	170,106

14 Trade receivables

	As at December 31,			As at August 31,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from third parties	121,259	153,884	235,273	402,161
Less: loss allowance	(11,917)	(20,390)	(31,419)	(26,435)
	109,342	133,494	203,854	375,726

Aging analysis

As of the end of each of the Track Record Period, the aging analysis of trade receivables, based on the transaction date and net of loss allowance, is as follows:

	As at December 31,			As at August 31,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	910	17,856	63,612	131,720
1 month to 3 months	12,832	3,225	14,908	24,063
3 months to 6 months	76,150	38,078	35,630	92,251
6 months to 1 year	9,817	34,496	78,957	30,477
1 to 2 years	21,550	60,033	41,937	117,243
2 to 3 years	–	196	33	6,178
Over 3 years	–	–	196	229
Less: loss allowance	(11,917)	(20,390)	(31,419)	(26,435)
	109,342	133,494	203,854	375,726

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The credit terms agreed with customers are normally 30-90 days from the date of billing. No interests are charged on the trade receivables. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 24(a).

15 Prepayments and other receivables

	As at December 31,			As at
	2016	2017	2018	August 31,
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to third parties (i)	–	38,943	16,423	17,274
Receivables due from third parties	4,199	14,664	10,883	3,642
Loan to a third party (ii)	4,882	–	–	–
Less: loss allowance	(135)	(105)	(214)	(869)
	<u>8,946</u>	<u>53,502</u>	<u>27,092</u>	<u>20,047</u>

Notes:

- (i) Prepayments to third parties represent the prepayments to suppliers and prepayments related to the programs of which production are not commenced.
- (ii) The loan bears an interest at 6% per annum.

16 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	As at December 31,			As at
	2016	2017	2018	August 31,
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	15	44	5	7
Deposits with banks	310	21,181	64,363	47,537
Cash and cash equivalents	<u>325</u>	<u>21,225</u>	<u>64,368</u>	<u>47,544</u>

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	18,517	57,279	90,340	68,568	62,114
Adjustments for:					
Depreciation and amortization	903	2,301	4,008	2,709	3,613
Net finance expense	4,577	3,577	2,427	1,551	5,515
Investment income	(270)	(233)	–	–	–
Disposal of a subsidiary	–	–	(681)	(681)	–
Loss allowance for trade and other receivables	10,981	8,443	11,138	25,779	(4,329)
Changes in working capital:					
Decrease/(increase) in program copyrights	3,859	(17,142)	(47,248)	(53,904)	(105,716)
Increase in trade receivables	(88,260)	(32,625)	(81,389)	(158,498)	(166,888)
(Increase)/decrease in prepayments and other receivables	(1,157)	(49,406)	26,181	33,594	6,390
Increase/(decrease) in trade payables	4,217	(8,177)	(7,496)	59,834	25,915
Increase/(decrease) in accruals and other payables and contract liabilities	14,383	(3,796)	10,844	7,795	3,224
Cash (used in)/generated from operations	<u>(32,250)</u>	<u>(39,779)</u>	<u>8,124</u>	<u>(13,253)</u>	<u>(170,162)</u>

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(c) *Reconciliation of liabilities arising from financing activities:*

	Bank loans and other borrowings	Amounts due to Mr. Liu	Loan from a shareholder	Loan third parties	Lease liabilities	Interest payables	Total
	RMB'000 (Note 17)	RMB'000 (Note 20)	RMB'000 (Note 20)	RMB'000 (Note 20)	RMB'000 (Note 21)	RMB'000 (Note 20)	RMB'000
At January 1, 2016	–	–	–	10,000	1,382	241	11,623
Changes from financing cash flows:							
Proceeds from interest-bearing borrowings	–	–	–	37,500	–	–	37,500
Repayment of interest-bearing borrowings	–	–	–	(10,000)	–	–	(10,000)
Borrowing costs paid	–	–	–	–	–	(2,308)	(2,308)
Amount received from Mr. Liu	–	2,000	–	–	–	–	2,000
Interest element of finance lease rentals paid	–	–	–	–	(60)	–	(60)
Capital element of finance lease rentals paid	–	–	–	–	(377)	–	(377)
Other changes:							
Interest expenses (Note 6(a))	–	–	–	–	60	4,527	4,587
At December 31, 2016 and January 1, 2017	–	2,000	–	37,500	1,005	2,460	42,965
Changes from financing cash flows:							
Proceeds from interest-bearing borrowings	20,000	–	–	–	–	–	20,000
Repayment of interest-bearing borrowings	–	–	–	(37,500)	–	–	(37,500)
Amount repaid to Mr. Liu	–	(2,000)	–	–	–	–	(2,000)
Borrowing costs paid	–	–	–	–	–	(4,643)	(4,643)
Interest element of finance lease rentals paid	–	–	–	–	(279)	–	(279)
Capital element of finance lease rentals paid	–	–	–	–	(2,132)	–	(2,132)
Other changes:							
Increase in lease liabilities from entering into new lease during the period	–	–	–	–	13,255	–	13,255
Interest expenses (Note 6(a))	–	–	–	–	279	3,320	3,599

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	Bank loans and other borrowings	Amounts due to Mr. Liu	Loan from a shareholder	Loan third parties	Lease liabilities	Interest payables	Total
	RMB'000 (Note 17)	RMB'000 (Note 20)	RMB'000 (Note 20)	RMB'000 (Note 20)	RMB'000 (Note 21)	RMB'000 (Note 20)	RMB'000
At December 31, 2017 and January 1, 2018	20,000	–	–	–	12,128	1,137	33,265
Changes from financing cash flows:							
Proceeds from interest-bearing borrowings	30,000	–	20,000	–	–	–	50,000
Repayment of interest-bearing borrowings	(20,000)	–	–	–	–	–	(20,000)
Borrowing costs paid	–	–	–	–	–	(2,826)	(2,826)
Interest element of finance lease rentals paid	–	–	–	–	(530)	–	(530)
Capital element of finance lease rentals paid	–	–	–	–	(3,845)	–	(3,845)
Other changes:							
Increase in lease liabilities from entering into new lease during the period	–	–	–	–	119	–	119
Interest expenses (Note 6(a))	–	–	–	–	530	1,999	2,529
At December 31, 2018	<u>30,000</u>	<u>–</u>	<u>20,000</u>	<u>–</u>	<u>8,402</u>	<u>310</u>	<u>58,712</u>
At January 1, 2019	30,000	–	20,000	–	8,402	310	58,712
Changes from financing cash flows:							
Proceeds from interest-bearing borrowings	35,000	–	–	25,000	–	–	60,000
Repayment of interest-bearing borrowings	(30,000)	–	–	(10,000)	–	–	(40,000)
Borrowing costs paid	–	(446)	–	–	–	(2,307)	(2,753)
Amount received from Mr. Liu	–	28,800	–	–	–	–	28,800
Amount repaid to Mr. Liu	–	(28,800)	–	–	–	–	(28,800)
Interest element of finance lease rentals paid	–	–	–	–	(595)	–	(595)
Interest element of lease rentals paid	–	–	–	–	(2,804)	–	(2,804)
Other changes:							
Increase in lease liabilities from entering into new lease during the period	–	–	–	–	12,283	–	12,283
Interest expenses (Note 6(a))	–	446	–	–	595	4,740	5,781
At August 31, 2019	<u>35,000</u>	<u>–</u>	<u>20,000</u>	<u>15,000</u>	<u>17,881</u>	<u>2,743</u>	<u>90,624</u>

17 Bank loans and other borrowings

The Group's short-term bank loans and other borrowings comprise:

	As at December 31,			As at August 31,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
Secured (i)	—	—	30,000	35,000
Other borrowings				
Secured (ii)	—	20,000	—	—
	<u>—</u>	<u>20,000</u>	<u>30,000</u>	<u>35,000</u>

Notes:

- (i) As at August 31, 2019, the bank loans of RMB5,000,000 of the Group were guaranteed by Beijing Haidian Technology Corporate Finance Guarantee Co., Ltd. (北京海淀科技企業融資擔保有限公司), a third party. It is repayable within one year.

As at August 31, 2019 and as at December 31, 2018, the bank loans of RMB30,000,000 of the Group were guaranteed by Beijing SMEs Credits Re-guarantee Co., Ltd. (北京中小企業信用再擔保有限公司), a third party. It is repayable within one year.

- (ii) Other borrowings represented secured borrowings from Everbright Yunfu Internet Co., Ltd. (光大雲付互聯網股份有限公司) which were secured by trade receivables of RMB35,000,000. It bears an interest at a rate of 10% per annum and were repaid on May 22, 2018.

18 Contract liabilities

	As at December 31,			As at August 31,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Content related program				
— Corporate sponsors	—	2,651	—	10,217

The Group received the consideration of licensing of IP from corporate sponsors in advance of the authorization period. All the contract liability balance as at the beginning of the year/period were recognized as revenue during the respective year/period.

19 Trade payables

	As at December 31,			As at August 31,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to third parties	21,877	13,700	5,993	31,908

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As of the end of each of the Track Record Period, the aging analysis of trade payables, based on the invoice date, is as follows:

	As at December 31,			As at
	2016	2017	2018	August 31,
	RMB'000	RMB'000	RMB'000	2019
Within 1 year	21,877	13,700	5,757	31,372
1 to 2 years	–	–	236	536
	<u>21,877</u>	<u>13,700</u>	<u>5,993</u>	<u>31,908</u>

All of the trade payables are expected to be settled within one year or are repayable on demand.

20 Accruals and other payables

	As at December 31,			As at
	2016	2017	2018	August 31,
	RMB'000	RMB'000	RMB'000	2019
Amounts due to third parties	11,980	1,919	1,120	637
Received in advance from other producers	–	–	15,000	10,000
Amounts due to Mr. Liu (i)	2,000	–	–	–
Loans from a shareholder (ii)	–	–	20,000	20,000
Loans from third parties (iii)	37,500	–	–	15,000
Payroll payables	536	1,574	2,598	3,129
Other taxes and levies	3,139	5,717	3,687	1,645
Interest payables	2,460	1,137	310	2,743
	<u>57,615</u>	<u>10,347</u>	<u>42,715</u>	<u>53,154</u>

All of the accruals and other payables are expected to be settled and expensed within one year or are repayable on demand.

Notes:

- (i) Amounts due to Mr. Liu mainly represent the unsecured loan from Mr. Liu, executive director of the Company.
- (ii) In 2018, Zhongguang Yusheng borrowed RMB20,000,000 from Mr. Chen Dazhi, a shareholder of the Company, with interest rate of 12% per annum. According to the contract, the loan will be settled before May 2020.
- (iii) In 2016, Zhongguang Yusheng borrowed RMB30,000,000 from Xiaobenxiang (Shanghai) Cinema Culture Media LLP with interest rate of 18.2% per annum and RMB7,500,000 from Beijing Tongcheng Yilong Network Technology Co., Ltd. with interest rate of 8.8% per annum, which was repaid in 2017.

On April 29, 2019 and April 3, 2019, Zhongguang Yusheng borrowed RMB10,000,000 and RMB15,000,000 from Huasheng Yihong Investment Management Co., Ltd. ("Huasheng Yihong") with interest rate of 0.2% per day and 27.97% per annum respectively. The loan of RMB10,000,000 was repaid in May 13, 2019. The loan of RMB15,000,000 will be settled before January 3, 2020 with an updated interest rate of 22.49% per annum based on the renewal contract with Huasheng Yihong.

All of the above loans were unsecured except for the loans from Beijing Tongcheng Yilong Network Technology Co., Ltd. which were secured by trade receivables of RMB28,000,000.

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21 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting periods:

	December 31, 2016		December 31, 2017	
	Present value of the minimum lease payments	Total minimum lease prepayments	Present value of the minimum lease payments	Total minimum lease prepayments
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	593	607	3,822	3,909
After 1 year but within 2 years	412	447	2,381	2,567
After 2 years but within 5 years	—	—	5,925	7,029
	412	447	8,306	9,596
	1,005		12,128	
Less: total future interest expenses		49		1,377
Present value of lease liabilities		1,005		12,128

	December 31, 2018		August 31, 2019	
	Present value of the minimum lease payments	Total minimum lease prepayments	Present value of the minimum lease payments	Total minimum lease prepayments
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	2,563	2,629	5,019	5,156
After 1 year but within 2 years	2,467	2,662	4,955	5,350
After 2 years but within 5 years	3,372	3,964	7,907	9,402
	5,839	6,626	12,862	14,752
	8,402		17,881	
Less: total future interest expenses		853		2,027
Present value of lease liabilities		8,402		17,881

22 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	Years ended December 31,			Eight months ended August 31,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1,	85	7,462	1,438	2,543
Provision for PRC Income Tax for the year/period	7,398	1,214	2,443	17,538
PRC Income Tax paid during the year/period	(21)	(7,238)	(1,338)	(2,767)
At December 31./August 31,	7,462	1,438	2,543	17,314
Representing:				
Current taxation	7,462	1,438	2,543	17,314

(b) Deferred tax assets and liabilities recognized:**(i) Movement of each component of deferred tax assets and liabilities**

The components of deferred tax assets recognized in the consolidated statements of financial position and the movements during the year are as follows:

	Loss allowance
	RMB'000
Deferred tax arising from:	
At January 1, 2016	268
Credited to profit or loss	2,745
At December 31, 2016	<u>3,013</u>
At January 1, 2017	3,013
Credited to profit or loss	18
At December 31, 2017	<u>3,031</u>
At January 1, 2018	3,031
Charged to profit or loss	(2,164)
At December 31, 2018	<u>867</u>
At January 1, 2019	867
Credited to profit or loss	2,161
At August 31, 2019	<u>3,028</u>

(ii) Reconciliation to the consolidated statements of financial position

	As at December 31,			As at
	2016	2017	2018	August 31,
	RMB'000	RMB'000	RMB'000	2019
Net deferred tax asset recognized in the consolidated statements of financial position	<u>3,013</u>	<u>3,031</u>	<u>867</u>	<u>3,028</u>

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(n), the Group has not recognized deferred tax assets in respect of cumulative tax loss of RMB19,000, RMB764,000, RMB268,000 and RMB160,000 as of December 31, 2016, 2017 and 2018 and August 31, 2019, as it is not probable that future taxable profits against which the loss can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses will expire from 2021 to 2024.

23 Capital, reserves and dividends**(a) Share capital**

The Company was incorporated in the Cayman Islands on May 28, 2019 as part of the Reorganization with an initial authorized share capital of US\$50,000 divided into 5,000,000,000 shares with a par value of US\$0.00001 each. Immediately after its incorporation, one share was allotted and issued.

After completion of the Reorganization, the Company issued 600,000,000 shares to the original shareholders of Zhongguang Yusheng and issued 56,579,304 shares to new shareholders of the Company.

(b) Share premium

Share premium represented the difference between the par value of shares issued and the amount of net proceeds received from its shareholders of the Company.

(c) Reserves

- (i) For the purpose of the Historical Financial Information, the aggregate amount of the paid-in capital of all the entities comprising the Group at the respective dates were recorded as capital reserve, after elimination of investments in subsidiaries.
- (ii) On November 29, 2016, Shanghai Yingzhi Capital Management Co., Ltd. subscribed for equity interest in Zhongguang Yusheng in the total amount of RMB4,606,000, representing 0.673% of the total equity of Zhongguang Yusheng, and became the registered owner of Zhongguang Yusheng.
- (iii) On June 20, 2017, Beijing Qiankun Hanhai Capital Investment and Management Co., Ltd. ("Qiankun Hanhai") subscribed for equity interest in Zhongguang Yusheng in the amount of RMB30,000,000, representing 4.76% of the total shares of Zhongguang Yusheng, and became the registered shareholder of Zhongguang Yusheng.

On November 24, 2017, Zhuhai Mubi No.2 Private Equity Fund Management LLP and Jiaying Datai Investment LLP subscribed for equity interest in Zhongguang Yusheng in the total amount of RMB50,000,000, representing 7.98% of the total shares of Zhongguang Yusheng, and became the registered shareholders of Zhongguang Yusheng.

On December 29, 2017, Huasheng Yihong Investment Management Co., Ltd. subscribed for equity interest in Zhongguang Yusheng in the amount of RMB10,000,000, representing 1.44% of the total shares of Zhongguang Yusheng, and became the registered shareholder of Zhongguang Yusheng.

- (iv) On September 26, 2018, Ningbo Meishan Bonded Port New Motivation Zhongguang Investment LLP subscribed for equity interest in Zhongguang Yusheng in the amount of RMB14,000,000, representing 1.38% of the total shares of Zhongguang Yusheng, and became the registered shareholder of Zhongguang Yusheng.
- (v) On April 30, 2019 and May 6, 2019, Chen Kai, Qin Weilun, and Li Zhanrong subscribed for equity interest in Zhongguang Yusheng in the amount of RMB3,500,000, representing 0.29% of the total shares of Zhongguang Yusheng, and became the registered shareholder of Zhongguang Yusheng.

On July 5, 2019, Beijing Xingwen Equity Investment Partnership (Limited Partnership) subscribed for equity interest in Zhongguang Yusheng in the amount of RMB20,000,000, representing 1.63% of the total shares of Zhongguang Yusheng, and became the registered shareholder of Zhongguang Yusheng.

- (vi) In accordance with the relevant PRC laws and regulations, the Company's subsidiaries established and operated in Mainland China are required to transfer 10% of its net profit to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilized in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

As at December 31, 2016, 2017 and 2018 and August 31, 2019, the statutory reserve made by the Company's PRC subsidiaries amounting to RMB2,147,000, RMB7,346,000, RMB7,935,000 and RMB7,992,000 were included in the Group's reserves.

(d) Dividends

During the years of 2016, 2017 and 2018 and eight months ended August 31, 2019, no dividends were declared by the entities comprising the Group to its owners.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(f) Movements in components of equity

The changes of each component of the Group's consolidated equity during the reporting is set out in the consolidated statements of changes in equity. Details of changes in the Company's individual components of equity since its date of incorporation to August 31, 2019 are set out below:

	Note	Share capital	Share premium	Exchange reserves	Accumulated loss	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at May 28, 2019 (date of incorporation)		—	—	—	—	—
Changes in equity for 2019:						
Loss for the period		—	—	—	(1,434)	(1,434)
Other comprehensive income		—	—	3,509	—	3,509
Total comprehensive income		—	—	3,509	(1,434)	2,075
Capital injection from owners of the Company	23(a)	45	116,958	—	—	117,003
Balance at August 31, 2019		45	116,958	3,509	(1,434)	119,078

24 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2016, 2017 and 2018 and August 31, 2019, 99.6%, 92.5%, 93.8% and 98.4% of the total trade receivables was due from the Group's five largest customers. These customers were mainly TV station and advertisement agent companies with diversified end-customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2016, 2017 and 2018 and August 31, 2019:

December 31, 2016			
Expected loss rate	Gross carrying amount		Loss allowance
	RMB'000	RMB'000	
Current (not past due)	3%	71,225	2,137
Within 3 months past due	10%	6,800	680
3 months to 6 months past due	18%	6,020	1,084
6 months to 9 months past due	20%	25,000	5,000
9 months to 12 months past due	23%	10,140	2,332
12 months to 15 months past due	33%	2,074	684
15 months to 18 months past due	60%	—	—
More than 18 months past due	100%	—	—
		<u>121,259</u>	<u>11,917</u>
December 31, 2017			
Expected loss rate	Gross carrying amount		Loss allowance
	RMB'000	RMB'000	
Current (not past due)	3%	31,518	946
Within 3 months past due	10%	47,280	4,728
3 months to 6 months past due	18%	15,063	2,711
6 months to 9 months past due	20%	60,000	12,000
9 months to 12 months past due	23%	23	5
12 months to 15 months past due	33%	—	—
15 months to 18 months past due	60%	—	—
More than 18 months past due	100%	—	—
		<u>153,884</u>	<u>20,390</u>
December 31, 2018			
Expected loss rate	Gross carrying amount		Loss allowance
	RMB'000	RMB'000	
Current (not past due)	3%	138,664	4,159
Within 3 months past due	10%	38,215	3,821
3 months to 6 months past due	18%	—	—
6 months to 9 months past due	20%	14,028	2,806
9 months to 12 months past due	23%	5,200	1,196
12 months to 15 months past due	33%	15,080	4,976
15 months to 18 months past due	60%	24,063	14,438
More than 18 months past due	100%	23	23
		<u>235,273</u>	<u>31,419</u>
August 31, 2019			
Expected loss rate	Gross carrying amount		Loss allowance
	RMB'000	RMB'000	
Current (not past due)	3%	307,167	9,214
Within 3 months past due	10%	63,715	6,372
3 months to 6 months past due	18%	11,250	2,025
6 months to 9 months past due	20%	14,006	2,801
9 months to 12 months past due	23%	—	—
12 months to 15 months past due	33%	—	—
15 months to 18 months past due	60%	—	—
More than 18 months past due	100%	6,023	6,023
		<u>402,161</u>	<u>26,435</u>

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Expected loss rates are based on actual loss experience over the past recent years since January 1, 2016. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

There was no significant changes in the Group's customer base, credit risk of customers, credit policy, economic conditions and the Group's view of economic conditions over the expected lives of the receivables during the Track Record Period, hence the Group applied the same expected loss rates in the Track Record Period.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	As at December 31,			As at August 31,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1,	990	11,917	20,390	47,370
Loss allowance (reversed)/recognized during the year/period	10,927	8,473	11,029	(20,935)
Balance at December 31/August 31,	11,917	20,390	31,419	26,435

None of the trade receivables have been actually written off during each year/ period of the Tack Record period.

(b) Liquidity risk

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

As at December 31, 2016						Carrying amounts in the consolidated statement of financial position
contractual undiscounted cash outflow						
Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Trade payables (note 19)	21,877	–	–	–	21,877	
Accruals and other payables (note 20)	59,548	–	–	–	59,548	
Lease liabilities (note 21)	607	447	–	–	1,054	
	82,032	447	–	–	82,479	

	As at December 31, 2017 contractual undiscounted cash outflow					Carrying amounts in the consolidated statement of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans and other borrowings (note 17)	20,762	–	–	–	20,762	20,000
Trade payables (note 19)	13,700	–	–	–	13,700	13,700
Accruals and other payables (note 20)	10,347	–	–	–	10,347	10,347
Lease liabilities (note 21)	3,909	2,567	7,029	–	13,505	12,128
	48,718	2,567	7,029	–	58,314	56,175

As at December 31, 2018
contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amounts in the consolidated statement of financial position
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings (note 17)	31,569	—	—	—	31,569	30,000
Trade payables (note 19)	5,993	—	—	—	5,993	5,993
Accruals and other payables (note 20)	29,315	—	—	—	29,315	27,715
Lease liabilities (note 21)	2,629	2,662	3,964	—	9,255	8,402
	<u>69,506</u>	<u>2,662</u>	<u>3,964</u>	<u>—</u>	<u>76,132</u>	<u>72,110</u>

As at August 31, 2019
contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amounts in the consolidated statement of financial position
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings (note 17)	36,325	—	—	—	36,325	35,000
Trade payables (note 19)	31,908	—	—	—	31,908	31,908
Accruals and other payables (note 20)	46,135	—	—	—	46,135	43,154
Lease liabilities (note 21)	5,156	5,350	9,402	—	19,908	17,881
	<u>119,524</u>	<u>5,350</u>	<u>9,402</u>	<u>—</u>	<u>134,276</u>	<u>127,943</u>

(c) Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group's interest-bearing liabilities at of December 31, 2016, 2017 and 2018 and August 31, 2019 are all fixed rate borrowings. Thus, the Group is not exposed to significant cash flow interest rate risk during the Track Record Period.

(d) Currency risk

The Group is exposed to currency risk primarily through deposits with bank which gives rises to cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US dollars. The Group manages this risk as follows:

(i) Recognized assets and liabilities

In respect of other trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

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For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year/period end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded. The currencies giving rise to this risk is US\$.

Exposure to foreign currencies (expressed in RMB)

	As at December 31,			As at August 31,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	–	–	–	7,108

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at December 31,						As at August 31,	
	2016		2017		2018		2019	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		RMB'000		RMB'000		RMB'000		RMB'000
USD	5%	–	5%	–	5%	–	5%	267
	(5%)	–	(5%)	–	(5%)	–	(5%)	(267)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis during the Track Record Period.

(e) Fair value measurement

The Group does not have any financial instruments measured at fair value at December 31, 2016, 2017 and 2018 and eight months ended August 31, 2019.

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at December 31, 2016, 2017 and 2018 and eight months ended August 31, 2019.

25 Material related party transactions**(a) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other emoluments	221	670	1,886	1,085	1,573
Retirement scheme contributions	19	26	117	66	109
	<u>240</u>	<u>696</u>	<u>2,003</u>	<u>1,151</u>	<u>1,682</u>

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Related party balances and transactions

The related parties of the Company and its subsidiaries with which the Group had transactions are as follows:

Names of related parties	Nature of relationship
Mr. Liu Mu (劉牧)	Executive director/Key management personnel
Ms. Chen Jia (陳佳)	Executive director/Key management personnel
Mr. Chen Kai (陳凱)	Non-executive director
Ms. Ran Hua (冉華)	Independent Non-executive director
Mr. Zhang Yiwu (張頤武)	Independent Non-executive director
Mr. Yu Kwok Kuen Harry (余國權)	Independent Non-executive director
Ms. Cheng Cang (程藏)	Key management personnel
Ms. Song Xia (宋霞)	Key management personnel
Mr. Tan Yuran (譚羽然)	Key management personnel
Mr. Liu Xin Xing (劉新星)	Key management personnel

Related party balances

Balance with related parties:

	As at December 31,			As at August 31,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Accruals and other payables				
Mr. Liu		2,000	—	—

The outstanding balances with the related party are unsecured and have no fixed repayment terms. The amounts due to Mr. Liu are included in "Accruals and other payables" (Note 20).

Related party transactions

The following is a summary of material related party transactions. In the Directors' opinion, these transactions were carried out in the ordinary course of business.

	Years ended December 31,			Eight months ended August 31,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loan received from Mr. Liu (note 20(i))	5,380	2,644	—	—	28,800
Loan repaid to Mr. Liu	3,380	4,644	—	—	28,800
Interest expense	—	—	—	—	446

26 Non-adjusting events after the reporting period

- (i) The Novel Coronavirus Pneumonia outbreak (the "NCP Outbreak") since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position.

The Group has been closely monitoring the impact from the NCP Outbreak on the Group's businesses and has commenced to put in place various contingency measures. The directors of the Company confirm that these contingency measures include but are not limited to reassessing the production progress of programs, negotiating with customers on possible delay in delivery timetables, improving the Group's cash position by expediting debtor settlements and negotiating with suppliers on payment extensions, and reassessing the Group's working capital based on the banking facilities, anticipated trade payables settlement, borrowings and monthly fixed costs over the next 12 months. The Group will keep the contingency measures under review as the NCP Outbreak situation evolves.

As far as the Group's businesses are concerned, the NCP Outbreak may cause delays or suspension on the program pipeline and may also impact the schedule of delivery and broadcasting of the Group's programs, which may impact the collection of trade receivables and revenue recognition resulting in additional impairment losses on trade receivables and program copyrights in future periods, but the directors of the Company considered that such impact could be reduced by the Group's expedition of the production process upon the cessation of the NCP Outbreak and continuing management of debtor settlements. Based on the information currently available, the management estimated that the NCP Outbreak would not result in additional impairment losses on the August 31, 2019 balances of program copyrights and trade receivables. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information become available.

- (ii) Pursuant of the resolutions of the equity shareholders of the Company passed on February 7, 2020, the Company authorized to capitalize an amount of US\$5,434.21 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 543,420,696 Shares for allotment and issue to the persons whose names appear on the register of shareholders of the Company (the "Shareholders") on the resolutions in accordance with their respective shareholding in the Company or in accordance with the direction of the Shareholders.

27 Immediate and ultimate controlling party

The directors of the Company consider the immediate parent and the ultimate controlling party of the Company at August 31, 2019 to be the Double K Limited.

28 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2019

Up to the date of this report, the IASB has issued a few amendments and new standards which are not yet effective for the accounting period beginning on January 1, 2019 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, Definition of a business	January 1, 2020
Amendments to IAS 1 and IAS 8, Definition of material	January 1, 2020
Revised Conceptual Framework for financial reporting	January 1, 2020
IFRS 17, Insurance contracts	January 1, 2021
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

Subsequent Financial Statements

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to August 31, 2019.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets attributable to equity shareholders of the Company as if it had taken place on August 31, 2019. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at August 31, 2019 or at any future dates.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at August 31, 2019 ⁽ⁱ⁾	Estimated net proceeds from the Global Offering ⁽ⁱⁱ⁾	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share ⁽ⁱⁱⁱ⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$ ^(iv)
Based on an Offer Price of HK\$2.25 per Offer Share.	301,233	742,350	1,043,583	0.65	0.72
Based on an Offer Price of HK\$3.37 per Offer Share.	301,233	1,130,848	1,432,081	0.90	1.00

Notes:

- (i) The consolidated net tangible assets attributable to equity shareholders of the Company as at August 31, 2019 is based on the consolidated net assets of the Group of RMB471.3 million as at August 31, 2019 after deduction of program copyrights of RMB170.1 million as shown in the Accountants' Report as set out in Appendix I to this prospectus.
- (ii) The estimated net proceeds from the Global Offering are based on the expected issuance of 400,000,000 Shares and the indicative Offer Prices of HK\$2.25 per Offer Share (being the minimum Offer Price) or HK\$3.37 per Offer Share (being the maximum Offer Price), after deduction of the underwriting fees and related listing expenses paid or payable by the Group (excluding the expenses that have been charged to profit or loss during the Track Record Period), and does not take into account of any Shares that may be issued upon the exercise of the Over-allotment Option and options granted under the Share Option Scheme.

The estimated net proceeds from the Global Offering is converted into Renminbi at an exchange rate of HK\$1.1128 to RMB1.0000. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.
- (iii) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjusting for the estimated net proceeds from the Global Offering as described in note (ii) and on the basis that a total of 1,600,000,000 Shares were in issue (including Shares in issue as of the date of this prospectus and those Shares to be issued pursuant to the Global Offering and the Capitalization Issue) assuming that the Global Offering and the Capitalization Issue had been completed on August 31, 2019 but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and options granted under the Share Option Scheme.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (iv) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.1128 to RMB1.0000. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate or at all.
- (v) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to August 31, 2019.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(B) REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.



INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA BRIGHT CULTURE GROUP

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Bright Culture Group (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at August 31, 2019 and related notes as set out in Part A of Appendix II to the prospectus dated February 28, 2020 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at August 31, 2019 as if the Global Offering had taken place at August 31, 2019. As part of this process, information about the Group's financial position as at August 31, 2019 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities 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 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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.

The 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" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 ("HKSAE") 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 purpose 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 pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at August 31, 2019 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 event or 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' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or 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.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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 purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules

KPMG

Certified Public Accountants

Hong Kong

February 28, 2020

The estimated consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2019 is set out in the section headed “Financial Information – Profit Estimate for the Year Ended December 31, 2019” in this prospectus.

A. BASES

We have prepared our estimate of the consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2019 based on (i) the audited consolidated results of the Group for the eight months ended August 31, 2019 as set out in the Accountants’ Report in Appendix I to the Prospectus; and (ii) the unaudited consolidated results based on the management accounts of the Group for the four months ended December 31, 2019. Our profit estimate has been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our Accountants’ Report, the text of which is set out in Appendix I to this prospectus. In the absence of unforeseen circumstances, the estimated consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2019 will be not less than RMB100 million.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the inclusion in this prospectus, received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in relation to our Group's profit estimate for the year ended December 31, 2019.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

The Board of Directors
China Bright Culture Group

BOCOM International (Asia) Limited
Haitong International Capital Limited

February 28, 2020

Dear Sirs,

China Bright Culture Group ("the Company")

Profit Estimate for Year Ended December 31, 2019

We refer to the estimate of the consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2019 ("the Profit Estimate") set forth in the section headed "Financial Information — Profit Estimate for the Year Ended December 31, 2019" in the prospectus of the Company dated February 28, 2020 ("the Prospectus").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as "the Group") for the eight months ended August 31, 2019 and the unaudited consolidated results based on the management accounts of the Group for the four months ended December 31, 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.

The 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” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting 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 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 as set out in Appendix IIA of 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 February 28, 2020, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

KPMG

Certified Public Accountants

Hong Kong

February 28, 2020

C. LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for inclusion in this prospectus by the Joint Sponsors, in connection with the estimate of the consolidated profit attributable to the owners of the Company for the year ended December 31, 2019.

Haitong International Capital Limited

8th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

BOCOM International (Asia) Limited

9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

The Directors

China Bright Culture Group

February 28, 2020

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to the equity shareholders of China Bright Culture Group (the “**Company**”, together with its subsidiaries and the consolidated affiliated entities, collectively referred to as the “**Group**”) for the year ended December 31, 2019 (the “**Profit Estimate**”), for which the directors of the Company (the “**Directors**”) are solely responsible, as set out in the section headed “Financial Information” in the prospectus of the Company dated February 28, 2020 (the “**Prospectus**”).

The Profit Estimate has been prepared by the Directors based on (i) the audited consolidated results of the Group for the eight months ended August 31, 2019 as set out in the Accountants’ Report in Appendix I to the Prospectus; and (ii) the unaudited consolidated results based on the management accounts of the Group for the four months ended December 31, 2019.

We have discussed with you the bases upon which the Profit Estimate has been made. We have also considered the letter dated February 28, 2020 addressed to yourselves and ourselves from the Company’s reporting accountants, KPMG, 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 KPMG, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of

Haitong International Capital Limited

Nelson Chou

Executive Director

For and on behalf of

BOCOM International (Asia) Limited

Vincent Lau

Managing Director

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAW

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on February 7, 2020 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection.”

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on February 7, 2020 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorized share capital of the Company at the date of adoption of the Articles is US\$16,000 divided into 1,600,000,000 shares of US\$0.00001 each.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAW

by the Company and are not by the Articles of Association or the Cayman Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any 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 entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAW

the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both 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 any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- (g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, 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 amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAW

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.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The number of Directors shall not be less than two.

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director).

The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors who are to retire by rotation at such meeting.

No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days,

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAW

commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors. The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by a notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAW

(j) *Proceedings of the Board*

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold

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by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Cayman Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Cayman Companies Law.

2.6 Special resolution -majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly appointed representatives), and any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean 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, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in

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the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

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Extraordinary general meetings may be convened on the requisition of two or more shareholders (or any one member which is a recognized clearing house (or its nominee(s)) 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.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a statement of financial position as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 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 shall specify the time, place and agenda of the meeting, particulars of the resolutions and

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the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) 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, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may, in its absolute discretion, and without assigning any reason, refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

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If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase. The holder of the shares being purchased shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Directors shall specify the certificate(s) thereof, if any, for cancellation and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may

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also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. 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.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

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Whenever the Directors or the Company in general meeting have resolved that a dividend may be paid or declared, the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

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2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, 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 Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

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2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 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, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such

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assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions

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or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 28, 2019 under the Cayman Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is 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 size of its authorized share capital.

3 Share Capital

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account.” At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by a 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:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

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.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

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Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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 member of the company holding shares. 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAW

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Cayman Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Law 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.

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11 Special Resolutions

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person 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, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANIES LAW

Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is 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 shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 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 the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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 shareholders.

16 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, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

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19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

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 certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Campbells, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated on May 28, 2019 in the Cayman Islands as an exempted company with limited liability with the registered company number OI-351610. Accordingly, our Company's corporate structure and Articles are subject to relevant laws of the Cayman Islands. A summary of our Articles and Memorandum of Association is set out in Appendix III of this Prospectus. Our registered office is at the offices of Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

Our principal place of business in Hong Kong is at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong. Ms. Au Wai Ching has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 30, 2019.

2. Changes in authorized and issued share capital of our Company

As at the date of incorporation, our Company had an authorized share capital of US\$50,000 divided into 5,000,000,000 shares of US\$0.00001 each. Upon incorporation, one Share, representing the then entire issued share capital of our Company, was allotted and issued to the initial subscriber and such Share was transferred to Double K Limited on the same day. Our Company then issued and allotted an aggregate number of 590,219,999 Shares for cash at par to Double K Limited, Blueberry Culture Limited, CHEN DA ZHI LIMITED, Chen Kai Zhong Guang Limited, REN FENG HOLDING LIMITED, MA ZI HUI LIMITED, WU YE HENG LIMITED, QIN WEI LUN LIMITED, LI ZHAN RONG LIMITED, Xin Dong Neng Zhong Guang Limited, Mobio Holding Group Limited, Jiaxing Datai Holding Limited on the same day. On July 8, 2019, our Company allotted and issued 9,780,000, 36,776,548 and 19,802,756 Shares to Chen Kai Zhong Guang Limited, China Zenith Limited and Leading Edge Limited, respectively. Please refer to the section headed "History, Reorganization and Corporate Structure — Reorganization — Subscriptions and transfers of Shares" for details.

Immediately following the completion of the Capitalization Issue and the Global Offering without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the issued share capital of our Company will be US\$16,000 divided into 1,600,000,000 Shares of US\$0.00001 each, all fully paid or credited as fully paid and 3,400,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed "4. Resolutions in writing of the Shareholders passed on February 7, 2020" below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries and PRC Operating Entities

Our subsidiaries are referred to in the Accountants' Report in Appendix I to this Prospectus. Save for the subsidiaries mentioned in the Accountants' Report and in the section headed "History, Reorganization and Corporate Structure," our Company has no other subsidiaries.

Save as disclosed in the section headed “History, Reorganization and Corporate Structure” in this Prospectus, there are no changes in share capital of our subsidiaries and PRC Operating Entities within the two years immediately preceding the date of this Prospectus.

4. Resolutions in writing of the shareholders passed on February 7, 2020

Written resolutions of the shareholders were passed on February 7, 2020 approving, among others, the following:

subject to the conditions of the Global Offering as set out in this Prospectus being fulfilled and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as result of the waiver of any condition(s) thereunder the Joint Representatives for themselves and on behalf of the Underwriters) and such obligations not having been terminated in accordance with their respective terms:

- (a) our Company approved and adopted the Memorandum and Articles of Association, which will come into effect upon Listing;
- (b) the Listing, the Global Offering and the Over-allotment Option was approved, subject to such modifications as our Directors (or any committee established by the Board) may in their sole discretion determine, and our Directors or any committee established by the Board were authorized to do all such things as they consider necessary to give effect to the Listing, the Global Offering and the Over-allotment Option;
- (c) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warranties or similar rights to subscribe for Shares or such convertible securities and to make or grant general offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value nominal value of Shares allotted or agreed to be allotted by the 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 our Articles; (c) a specific authority granted by the shareholders in general meeting, shall not exceed the aggregate of (i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (excluding any Shares to be issued upon the Over-allotment Option); and (ii) 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 main effect during the period from the passing of the resolution until the earliest of the conclusion of our earliest annual general meeting, the expiration of the period within which we are required by any applicable law or Articles to hold our next annual general meeting or the date on which the resolution is varied or revoked by any ordinary resolution of the shareholders in the general meeting (the “**Applicable Period**”);
- (d) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase 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 Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued under the Over-allotment Option or the Share Option Scheme), such mandate to remain effect during the Applicable Period; and

- (e) the general unconditional mandate mentioned in paragraph (c) above to 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 repurchase Shares referred to in paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued under the Over-allotment Option or the Share Option Scheme).

5. Corporate Reorganization

For details of the Reorganization which was effected for the Listing, please refer to the section headed "History, Reorganization and Corporate Structure" in this Prospectus.

6. Repurchase of our Shares

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders of our Company on February 7, 2020, a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorizing the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the 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 in effect from time to time.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds 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 over the par value of the Shares to be repurchased must be provided for, out of either or both 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.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital or gearing level as compared with the position disclosed in this Prospectus in the event that the Buyback Mandate is exercised in full.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 1,600,000,000 Shares in issue immediately after the Listing (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option), could accordingly result in up to 160,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/ she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is approved and exercised by the Directors.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the shareholders' interest, 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 as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Capitalization Issue and the Global Offering (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate will be 160,000,000 Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately 51.59% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is 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 any member of our Group within two years preceding the date of this Prospectus and are or may be material:

- (a) an investment agreement dated July 24, 2018 entered into between Xin Dong Neng and Zhongguang Yusheng and Mr. Liu, pursuant to which Xin Dong Neng agreed to subscribe for 1.3807% equity interest of Zhongguang Yusheng at a consideration of RMB14,000,000;
- (b) a capital increase agreement dated April 24, 2019 entered into between the then existing shareholders of Zhongguang Yusheng and Beijing Xingwen, Qin Weilun and Li Zhanrong, pursuant to which Beijing Xingwen, Chen Kai, Qin Weilun and Li Zhanrong agreed to subscribe for 1.63%, 0.08%, 0.08% and 0.12% equity interest of Zhongguang Yusheng at a

consideration of RMB20,000,000, RMB1,000,000, RMB1,000,000 and RMB1,500,000, respectively;

- (c) an exclusive business collaboration agreement dated July 15, 2019 entered into between WFOE and Zhongguang Yusheng, as further described in the section headed “Contractual Arrangements”;
- (d) an exclusive option agreement dated July 15, 2019 entered into among WFOE, Zhongguang Yusheng and the Registered Shareholders, as further described in the section headed “Contractual Arrangements”;
- (e) an equity pledge agreement dated July 15, 2019 entered into among WFOE, Zhongguang Yusheng and the Registered Shareholders, as further described in the section headed “Contractual Arrangements”;
- (f) a shareholders’ rights proxy agreement dated July 15, 2019 entered into among WFOE, Zhongguang Yusheng and the Registered Shareholders, as further described in the section headed “Contractual Arrangements”;
- (g) an investment agreement dated July 8, 2019 entered into between the Company, China Zenith Limited, Zhongguang Yusheng and Mr. Liu, pursuant to which China Zenith Limited agreed to subscribe for 36,776,548 Shares at a consideration of US\$11,050,000;
- (h) an investment agreement dated July 8, 2019 entered into between the Company, Leading Edge Limited, Zhongguang Yusheng and Mr. Liu, pursuant to which Leading Edge Limited agreed to subscribe for 19,802,756 Shares at a consideration of US\$5,950,000;
- (i) a cornerstone investment agreement dated February 21, 2020 entered into among the Company, the Joint Sponsors, Haitong International Securities Company Limited, BOCOM International Securities Limited and China Fortune Rich Private Equity Fund Limited, pursuant to which China Fortune Rich Private Equity Fund Limited has agreed to subscribe for the Offer Shares in the aggregate amount of US\$10,000,000 at the Offer Price;
- (j) the Deed of Indemnity; and
- (k) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights













(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to our business:

No.	Trademark	Class	Register owner	Place of registration	Registration number	Expiry date (yyyy/mm/dd)
1.		16	Zhongguang Yusheng	PRC	20484118	2027/08/20
2.		35	Zhongguang Yusheng	PRC	20484119	2027/08/20

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No.	Trademark	Class	Register owner	Place of registration	Registration number	Expiry date (yyyy/mm/dd)
3.		41	Zhongguang Yusheng	PRC	20484120	2027/08/20
4.		41	Zhongguang Yusheng	PRC	20484116	2027/10/20
5.		16	Zhongguang Yusheng	PRC	20484117	2027/11/13
6.		16,25,35,40,45	Zhongguang Yusheng	PRC	30932369	2029/06/20
7.		9,16,35,38,41,45	Zhongguang Yusheng	PRC	37076567	2029/11/20
8.		16,35,38,41,45	Zhongguang Yusheng	PRC	37087580A	2029/12/20
9.		16,38,41,45	Zhongguang Yusheng	PRC	37077930A	2029/12/20
10.		9	Zhongguang Yusheng	Hong Kong	305018553	2029/08/06
11.		35	Zhongguang Yusheng	Hong Kong	305018544	2029/08/06
12.		38	Zhongguang Yusheng	Hong Kong	305018535	2029/08/06
13.		41	Zhongguang Yusheng	Hong Kong	305018526	2029/08/06
14.		45	Zhongguang Yusheng	Hong Kong	305018517	2029/08/06

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to our business:

No.	Domain Name	Registered Owner	Date of Registration (yyyy/mm/dd)	Expiry Date (yyyy/mm/dd)
1.	中广煜盛.com	Zhonggunag Yusheng	2018/06/05	2020/06/05
2.	中广煜盛.net	Zhonggunag Yusheng	2018/06/05	2020/06/05
3.	中广煜盛.cn	Zhonggunag Yusheng	2018/06/05	2020/06/05
4.	sinozsw.com	Zhonggunag Yusheng	2015/07/21	2020/07/21
5.	sinozsw.cn	Zhonggunag Yusheng	2015/07/21	2020/07/21
6.	sinozsw.com.cn	Zhonggunag Yusheng	2015/07/21	2020/07/21
7.	中广煜盛.wang	Zhongguang Yusheng	2018/06/05	2020/06/05
8.	煜盛文化.wang	Zhongguang Yusheng	2019/07/24	2020/07/24

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No.	Domain Name	Registered Owner	Date of Registration (yyyy/mm/dd)	Expiry Date (yyyy/mm/dd)
9.	煜盛文化.cn	Zhongguang Yusheng	2019/07/24	2020/07/24
10.	煜盛文化.com	Zhongguang Yusheng	2019/07/24	2020/07/24
11.	煜盛文化.net	Zhongguang Yusheng	2019/07/24	2020/07/24

(c) Copyrights

As at the Latest Practicable Date, we have registered the following copyrights of the programs which we consider to be material to our business:

No.	Name of Copyright	Registered Owner	Copyright Registration Number	Registration Date
1.	“Hello Food” (誰是你的菜)	Zhongguang Yusheng	2016-I-00274442	2016/08/17
2.	Comic character image of Nika (尼卡) in “Mr. Cat”	Zhongguang Yusheng	2017-F-00315919	2017/03/06
3.	Comic character image of Duzhong (杜仲) in “Mr. Cat”	Zhongguang Yusheng	2017-F-00315918	2017/03/06
4.	Comic character image of Huamanlou (花滿樓) in “Mr. Cat”	Zhongguang Yusheng	2017-F-00315917	2017/03/06
5.	Comic character image of little Yang (小陽) in “Mr. Cat”	Zhongguang Yusheng	2017-F-00315916	2017/03/06
6.	Comic character image of Qiao Wenwei (喬文薇) in “Mr. Cat”	Zhongguang Yusheng	2017-F-00315915	2017/03/06
7.	Comic character image of Zhang Yu(張煜) in “Mr. Cat”	Zhongguang Yusheng	2017-F-00315914	2017/03/06
8.	“Mr. Cat” (貓先生)	Zhongguang Yusheng	2017-A-00315879	2017/03/03
9.	“Hello! Interviewer” (你好！面試官)	Zhongguang Yusheng	2018-I-00596991	2018/10/26
10.	“Sunset at Tiantongyuan” (日落天通苑)	Zhongguang Yusheng	2017-A-00498029	2017/12/01

As at the Latest Practicable Date, we have registered the following copyrights of the computer software which we consider to be material to our business:

No.	Name of the software	Registered Owner	Copyright Registration Number	First Publication Date
1.	Variety program mobile platform V1.0	Zhongguang Yusheng	2018SR315874	2017/10/31
2.	Variety program recommended software V1.0	Zhongguang Yusheng	2018SR315900	2017/11/07
3.	Video program playing system V1.0	Zhongguang Yusheng	2018SR315902	2017/12/06
4.	Smart video Editing software V1.0	Zhongguang Yusheng	2018SR316129	2017/12/21
5.	Video editing and playing system V1.0	Zhongguang Yusheng	2018SR314468	2017/11/21
6.	Video interactive software V1.0	Zhongguang Yusheng	2018SR314912	2017/11/27
7.	Video program release management software V1.0	Zhongguang Yusheng	2018SR315175	2017/11/14
8.	Variety program smart on-demand management software V1.0	Zhongguang Yusheng	2018SR316692	2017/11/21
9.	Video program processing system V1.0	Zhongguang Yusheng	2018SR318713	2017/11/21
10.	Video program data post processing system V1.0	Zhongguang Yusheng	2018SR318718	2017/12/11

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

No.	Name of the software	Registered Owner	Copyright Registration Number	First Publication Date
11.	Video program audio and video monitoring system V1.0	Zhongguang Yusheng	2018SR318723	2017/12/18
12.	Variety program audio processing system V1.0	Zhongguang Yusheng	2018SR318731	2017/11/28

As at the Latest Practicable Date, we have the following other copyrights which we consider to be material to our business:

No.	Name of Copyright	Ownership of Copyright
1.	“Hello food” (誰是你的菜) (Season 1)	Zhongguang Yusheng exclusively owns the intellectual property rights of this program. Zhongguang Yusheng licensed out the TV broadcasting rights to the TV network that broadcasts this program in the PRC.
2.	“Hello food” (誰是你的菜) (Season 2)	Zhongguang Yusheng and the TV network that broadcasts this program jointly own the copyrights of the program (including the broadcasting rights).
3.	“Hello food” (誰是你的菜) (Season 3)	Yili Zhongsheng and the TV network that broadcasts this program jointly own the intellectual property rights of this program. Zhongguang Yusheng licensed out the exclusive TV broadcasting rights to the TV network that broadcasts this program in the PRC.
4.	“Super Show” (超級大首映)	Zhongguang Yusheng and the TV network that broadcasts this program jointly own the (i) TV broadcasting rights; (ii) internet broadcasting rights; and (iii) derivative rights. Except for the abovementioned rights, Zhongguang Yusheng exclusively owns all of the other types of copyrights in relation to this program.
5.	“Chef in the House” (家有廚神)	Zhongguang Yusheng and the TV network that broadcast this program jointly own the intellectual property rights of this program. The TV network that broadcasts this program holds the exclusive TV broadcasting rights for this program in the PRC.
6.	“Hello! Interviewer” (你好！面試官) (Season 1)	Yili Zhongsheng exclusively owns the intellectual property rights of this program. Yili Zhongsheng licensed out the exclusive TV broadcasting rights to the TV network that broadcasts this program in the PRC.
7.	“Hello! Interviewer” (你好！面試官) (Seasons 2-4)	Yili Zhongsheng and the TV network that broadcasts the program jointly own the intellectual property rights of this program (including the broadcasting rights). The TV network owns the right of authorship for this program.
8.	“Hello! Interviewer” (你好！面試官) (Seasons 5-7)	Zhongguang Yusheng exclusively owns the copyrights of the program. The TV network that broadcasts the program owns the right of authorship and the broadcasting rights in the PRC.

No.	Name of Copyright	Ownership of Copyright
9.	“Hey! Let’s Sing” (嗨！唱起來) (Season 1)	Yili Zhongsheng and Kugou Music jointly own the intellectual property rights of the program. The TV network that broadcasts this program owns the broadcasting rights in the PRC.
10.	“Fall of a KOL” series (namely, Fall of a KOL (網紅是怎樣倒下的), Apt. #71 (71號公寓), Invisible Lover (看不見的戀人) parts I and II)	Zhongguang Yusheng exclusively owns the copyrights of the program.
11.	“Beijing Drifters’ Love Story” (北漂愛情故事)	Zhongguang Yusheng exclusively owns the copyrights of the program.
12.	“Time & Tree Hollows Series” 1.0 (時光樹洞1.0)	Zhongguang Yusheng exclusively owns the copyrights of this program.
13.	The Taste of Time (穿越時間的味道)	Zhongguang Yusheng and the TV network that broadcast this program jointly own the distribution right of this program in the PRC. Zhongguang Yusheng exclusively owns the internet broadcasting rights of this program and the copyrights of this program outside the PRC.
14.	Oh! My Boss (老總來了)	Shanghai Yusheng and the TV network that broadcasts this program jointly own the intellectual property rights of this program. The TV network that broadcasts this program holds the exclusive TV broadcasting rights for this program in the PRC.
15.	Our Bands (我們的樂隊)	Zhongguang Yusheng and the TV network that broadcasts this program jointly own the intellectual property rights of this program. The TV network that broadcasts this program holds the exclusive TV broadcasting rights for this program in the PRC.
16.	One Shop One Dream (我想開個店)	Zhongguang Yusheng and the TV network that broadcasts this program jointly own the copyrights of this program.
17.	To Infinity and Beyond (從地球出發)	Zhongguang Yusheng owns the right of authorship as a co-producer.
18.	The Shining Girl (耀眼的你)	Zhongguang Yusheng exclusively owns the copyrights of this program.
19.	Jingdong Campus Superstar (京東校園之星大開演界)	The online media platform exclusively owns the copyrights of this program. Zhongguang Yusheng shall share part of the revenue generated from this program’s copyrights.
20.	Renascence (鳳唳九天)	Zhongguang Yusheng owns the right of authorship and shall share part of the revenue generated from this program’s copyrights.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of the Directors and the chief executive*

Immediately following completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised and without taking into account of the Shares that may be issued pursuant to the options that may be granted under the Share Option Scheme, so far as our Directors are aware, the interests or short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and 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 of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed, will be as follows:

(i) *Interest in our Company*

<u>Name of Director</u>	<u>Capacity / Nature of interest</u>	<u>Number of Shares held⁽¹⁾</u>	<u>Approximate percentage of issued share capital⁽²⁾</u>
Mr. Liu	Interest in controlled corporations ⁽³⁾	742,884,739	46.43
Mr. Chen Kai	Interest in a controlled corporation ⁽⁴⁾	50,772,237	3.17

(1) All interest stated are long positions.

(2) The calculation is based on the total number of 1,600,000,000 Shares in issue immediately after the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account of the Shares that may be issued pursuant to the options that may be granted under the Share Option Scheme).

(3) The Shares are registered under the name of Double K Limited and Blueberry Culture Limited, the issued share capital of which is owned as to 100% by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in all the Shares held by Double K Limited and Blueberry Culture Limited for the purpose of Part XV of the SFO.

(4) The Shares are registered under the name of Chen Kai Zhong Guang Limited, the issued share capital of which is owned as to 100% by Mr. Chen Kai. Accordingly, Mr. Chen Kai is deemed to be interested in all the Shares held by Chen Kai Zhong Guang Limited for the purpose of Part XV of the SFO.

(ii) *Interest in associated corporations of our Company*

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Name of Associated Corporation</u>	<u>Approximate Percentage of shareholding</u>
Mr. Liu	Beneficial Owner	Double K Limited	100%
	Beneficial Owner	Zhongguang Yusheng	79.56%
Mr. Chen Kai	Beneficial Owner	Chen Kai Zhong Guang Limited	100%
	Beneficial Owner	Zhongguang Yusheng	0.72%

(b) *Interests of the Substantial Shareholders*

Save as disclosed in the section headed “Substantial Shareholders” in this Prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the Shares are listed, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who 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 our Company.

2. Particulars of Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service agreement with our Company with an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other.

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our non-executive Director and independent non-executive Directors is appointed with an initial term of three years commencing from their respective appointment dates subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

3. Director’s Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) incurred for the years ended December 31, 2016, 2017 and 2018, and the eight months ended August 31, 2019 was approximately RMB103,000, RMB533,000, RMB1,490,000, and RMB1,150,000, respectively. For details, please refer to note 8 of the Accountants’ report set out in Appendix I to this Prospectus.

Save as the disclosed in this Prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended December 31, 2016, 2017 and 2018, and the eight months ended August 31, 2019.

Pursuant to the existing arrangements that currently in force as of the date of this Prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ended December 31, 2020 is estimated to be approximately RMB2.4 million in aggregate.

4. Agent fees or commissions received

Save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this Prospectus.

5. Disclaimers

Save as disclosed in this Prospectus:

- (a) There are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation) between the Directors and any member of our Group);
- (b) none of our Directors nor any of the parties listed in the section headed “Qualification of Experts” of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this Prospectus, been acquired or disposed by or leased to our Company or any member of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any member of our Group;
- (c) none of our Directors or chief executive of our Company has any interests and short position in the shares, underlying shares and debentures of our Company or our associated incorporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;
- (d) 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, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of our Group;
- (e) none of our Directors nor any of the parties listed in the section headed “Qualification of experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business in our Group;
- (f) none of the parties listed in the paragraph headed “Qualification of experts” of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any member of our Group; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) none of our Directors or their respective associates (as defined under the Listing Rules) or any Shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. OTHER INFORMATION**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on February 7, 2020.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favor of our Company of US\$0.00001 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance or payment and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), being 160,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of our Shares in issue as of the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation,

capitalization issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
 - (gg) the date of the expiry of the option as may be determined by the Board;
 - (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and
- (ii) other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance

targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with Share Option Scheme and the Listing Rules.

(f) *Price of Shares*

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) *Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a Substantial Shareholder or any independent non-executive Director (or any of their respective associates (as defined in the Listing Rules)) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders'

meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) *Restrictions on the times of grant of options*

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options shall be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules, and ending on the date of actual publication of the results announcement, and where an option is granted to a Director, notwithstanding the paragraph above, no options shall be granted:
 - (aa) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (bb) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) *Rights are personal to grantee*

An option and an offer to grant an option shall be personal to the grantee and shall not be transferrable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) *Time of exercise of option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry

of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his/her personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) *Rights on dismissal*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his/her integrity or honesty or in relation to an employee of our Group (if so determined by the Board), or has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally, or on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) *Rights on takeover*

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our

Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than 12:00 noon (Hong Kong time) on the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will carry the same rights in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the

number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him/her before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he or he/she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his/her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) *Cancellation of options*

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is canceled pursuant to paragraph (i).

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and

not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;

- (iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 160,000,000 Shares in total.

2. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any member of our Group.

3. Tax and other indemnities

Our Controlling Shareholders have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in section headed “B. Further Information about our Business — 1. Summary of Material Contracts” above to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received, any claim to which any member of our Group may be subject to and payable on or before the date when the Global Offering becomes unconditional as detailed in the section headed “Business — Compliance and Legal Proceedings” in this Prospectus.

4. Litigation

Save as disclosed in the section headed “Business — Compliance and Legal Proceedings” of this Prospectus, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or

claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

5. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and the permission to deal in, the Shares in issue and to be issued or sold as mentioned in this Prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option). The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees payable to the Joint Sponsors in respect of its services as sponsor for the Listing are approximately HK\$9 million and are payable by us.

6. Preliminary Expenses

Save as disclosed in “Financial Information — Listing Expenses,” we have not incurred any material preliminary expenses.

7. 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 Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

8. Binding Effect

This Prospectus shall have effect, if an application is made in pursuance of it, 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 so far as applicable.

9. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who gave opinions or advice which are contained in this Prospectus:

<u>Name</u>	<u>Qualifications</u>
Haitong International Capital Limited	Licensed under the SFO and permitted to carry out Type 6 (advising in corporate finance) regulated activities (as defined under the SFO)
BOCOM International (Asia) Limited	Licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising in corporate finance) regulated activities (as defined under the SFO)
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

<u>Name</u>	<u>Qualifications</u>
Jingtian & Gongcheng	PRC Legal Advisers
Campbells	Cayman Islands legal advisers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

10. Consent of Experts

Each of the experts as referred to in the section headed “Qualification of Experts” in this Appendix has given and has not withdrawn their respective written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of experts named above has any shareholders’ interests in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for interests in our Company or any member of our Group.

11. Promoters

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.

12. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares except those who hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications or subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

13. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial, operational or trading positions or prospects since August 31, 2019 (being the date our consolidated financial statements as set out in “Appendix I — Accountants’ Report” of this Prospectus, and up to the date of this Prospectus).

14. Miscellaneous

- (a) Save as disclosed in this Prospectus:
 - (i) Within the two years immediately preceding the date of this Prospectus, neither our Company, nor any member of our Group 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 member of our Group is under opinion or is agreed conditionally or unconditionally to be put under option;
 - (iii) within the two years immediately preceding the date of this Prospectus, no commission has been paid or payable (except commission to the Underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any member of our Group;
 - (iv) no founder, management or deferred shares of our Company or any member of our Group have been issued or agreed to be issued;
 - (v) our Company has no outstanding convertible debt securities or debentures; and
 - (vi) there is no arrangement under which the future dividends are waived or 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.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF THE COMPANIES OF HONG KONG

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in “Appendix IV — Statutory and General Information — D. Other Information — 10. Consent of Experts” in this Prospectus; and
- (c) a copy of each of the material contracts referred to in “Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in this Prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin at Level 39, Two International Finance Center, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

- (a) the Memorandum of Association and Articles of Association;
- (b) the Accountants’ Report prepared by KPMG, the text of which is set out in “Appendix I — Accountants’ Report” to this Prospectus;
- (c) the audited financial statement of companies comprising our Group for each of the three years ended December 31, 2018 and eight months ended August 31, 2019;
- (d) the report from KPMG on unaudited pro forma financial information, the text of which is set out in Appendix II to this Prospectus;
- (e) the letter of advice prepared by Campbells summarizing certain aspects of the Cayman Islands company law as referred to in “Appendix III — Summary of the Constitution of the Company and Cayman Companies Law” in this Prospectus;
- (f) the Cayman Companies Law;
- (g) the material contracts referred to in the section headed “Appendix IV — Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in this Prospectus;
- (h) the service contracts with directors, referred to in the section headed “Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of Service Contracts and Letters of Appointment” in this Prospectus;
- (i) the written consents referred to in the section headed “Appendix IV — Statutory and General Information — D. Other Information — 10. Consent of experts” in this Prospectus;

- (j) the legal opinion prepared by Jingtian & Gongcheng, our PRC Legal Advisers, in respect of certain aspects of our Group;
- (k) the industry report prepared by Frost & Sullivan, our industry consultant;
- (l) the Share Option Scheme; and
- (m) the letters from KPMG and the Joint Sponsors relating to the profit estimate, the texts of which are set out in Appendix IIA to this prospectus.

