Ruicheng (China) Media Group Limited
瑞誠 (中國) 傳媒集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1640

GLOBAL OFFERING

Sole Sponsor

東興證券(香港)
DONGXING SECURITIES (HONG KONG)

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

東興證券(香港)
DONGXING SECURITIES (HONG KONG)

雅利多證券
ARISTO SECURITIES LIMITED

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

Ruicheng (China) Media Group Limited
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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**100,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**10,000,000 Shares (subject to reallocation)**
Number of International Placing Shares	**:**	**90,000,000 Shares (subject to the Over-allotment Option and reallocation)**
Offer Price	**:**	**Not more than HK$1.75 per Offer Share and expected to be not less than HK$1.25 per Offer Share plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027% (payable in full on application in Hong Kong dollars, subject to refund on final pricing)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1640**

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

Investors applying for the Hong Kong Offer Shares must pay, on application, the indicative maximum Offer Price of HK$1.75 per Offer Share together with brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%, subject to refund. The Offer Price is expected to be fixed by the Price Determination Agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or about Tuesday, 5 November 2019 and, in any event, not later than Monday, 11 November 2019. If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Monday, 11 November 2019, the Global Offering will not become unconditional and will lapse. In such case, an announcement will be published by our Company on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.reach-ad.com**. The Offer Price is expected to be not more than HK$1.75 per Offer Share and not less than HK$1.25 per Offer Share. The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the prior consent of our Company, reduce the indicative Offer Price range below that as stated in this prospectus at any time prior to the Price Determination Date. In such a case, a notice of the reduction in the indicative Offer Price range will be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.reach-ad.com**.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Global Offering should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to be given by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offer — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Global Coordinators (for themselves and on behalf of the Underwriters) terminate the Underwriting Agreements, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state in the United States, and may not be offered, sold, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act.

31 October 2019

If there is any change in the following expected timetable of the Global Offering, an announcement will be published on the website of the Stock Exchange at ***www.hkexnews.hk*** *and the website of our Company at* ***www.reach-ad.com****.*

	Date and time[1]
Hong Kong Public Offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Thursday, 31 October 2019
Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	11:30 a.m. on Tuesday, 5 November 2019
Application lists for Hong Kong Public Offer open[3]	11:45 a.m. on Tuesday, 5 November 2019
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, 5 November 2019
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 5 November 2019
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, 5 November 2019
Application lists for Hong Kong Public Offer close[3]	12:00 noon on Tuesday, 5 November 2019
Expected Price Determination Date on or about[5]	Tuesday, 5 November 2019
Announcement of (i) the Offer Price; (ii) the indication of the level of interest in the International Placing; (iii) the level of applications of the Hong Kong Public Offer; (iv) the basis of allocation of the Hong Kong Offer Shares; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offer and the International Placing to be published on our Company's website at **www.reach-ad.com** and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Monday, 11 November 2019

	Date and time[1]
Announcement of results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at **www.reach-ad.com** and the website of the Stock Exchange at **www.hkexnews.hk** (for further details, please refer to the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of results" in this prospectus) on or before	Monday, 11 November 2019
Results of allocations in the Hong Kong Public Offer will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from	Monday, 11 November 2019
Despatch/collection of refund cheques and e-Refund payment instructions in respect of wholly or partially unsuccessful applications and wholly or partially successful applications (if applicable) in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Hong Kong Public Offer on or before [7, 8, 9 &10]	Monday, 11 November 2019
Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before [6, 7, 8, 9 & 11]	Monday, 11 November 2019
Dealings in Shares on the Main Board expected to commence at 9:00 a.m. on	Tuesday, 12 November 2019

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

2. You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning, a tropical cyclone warning signal number 8 or above and/or an announcement of "extreme conditions" by the Hong Kong Government 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 Tuesday, 5 November 2019, the application lists will not open on that day. For further details, please see the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this prospectus.

4. Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by **electronic application instructions** to HKSCC via CCASS" in this prospectus.

5. The Price Determination Date is expected to be on or about Tuesday, 5 November 2019 and, in any event, not later than Monday, 11 November 2019. If, for any reason, the Offer Price is not agreed by Monday, 11 November 2019 between the Company and the Joint Global Coordinators (for themselves on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.

6. Share certificates for the Hong Kong Offer Shares are expected to be issued on or before Monday, 11 November 2019 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 12 November 2019 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

7. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Form(s) or through the **White Form eIPO** service and have provided all information required may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 11 November 2019 or any other day as announced by us as the date of despatch of Share certificates/refund cheques. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

8. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms and have provided all information required may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

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

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

10. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK$1.75 per Offer Share.

11. Share certificates will only become valid certificates of title 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 prior to the receipt of their share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

For further details of the structure and conditions of the Global Offering, you should refer to the section headed "Structure and Conditions of the Global Offering" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters, any of our or their respective affiliates, directors, officers, employees, agents or representatives, or any other person or party involved in the Global Offering.

Information contained in our website, located at ***www.reach-ad.com****, does not form part of this prospectus.*

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Founded in 2003, we are an established advertising service provider in the PRC, primarily focusing on TV advertising services. Leveraging on our experience and expertise in TV advertising, we successfully diversified our service offerings to online and outdoor advertising services.

With the strong strategy formulation and data analytical capabilities and in-depth industry experience of our Group, we are able to provide a wide range of advertising services including data analysis, marketing strategy planning, advertising solution formulation, sourcing of advertising resources, overall coordination and/or execution, and evaluation of the effectiveness of the advertisements. We are committed to offering tailor-made advertising solutions to our customers through formulating customised proposals based on our analysis of market and industry data, which could at the same time meet the budget and achieve the marketing objectives of our customers. Besides identifying and sourcing from the relevant suppliers, we are capable to monitor the execution and evaluate the effectiveness of the advertising solutions to ensure the effect of our advertising solutions could be maximised. We generally do not offer any advertising design services. The hard-sell TV advertisements are designed and produced by our customers or third-party production firms on their behalf, and for soft-sell TV and online advertising services, our advertising proposals may contain suggestions or ideas on advertising slogans, subtitles and scenes to be implanted in variety shows and TV series, and the advertising text and graphic to be placed in online advertisements, which is part of our customised advertising solutions offered.

We pride ourselves on the strong market position we built up in the TV advertising media services market in the PRC since 2003. We ranked the tenth among approximately 5,000 TV advertising media service providers in the PRC in terms of TV advertising revenue in 2018, representing a market share of approximately 0.3% according to the CIC Report. Due to our in-depth experience and expertise in offering TV advertising services, we have received numerous awards such as the "19th IAI International Advertising Awards: Greater China Region Content Marketing Company of The Year"* (第十九屆IAI國際廣告獎 — 大中華區年度內容營銷公司) in 2019, the "ADMEN International Awards: Practice Case in Category of Digital Marketing Gold Award" (ADMEN國際大獎 — 整合營銷實戰金案獎) in 2018, the "Main Advertising Award of 2016 Great Wall Awards of China: Annual Golden Partner" (2016中國廣告長城獎廣告主獎 — 年度金夥伴) and the "Eighth China Advertising Golden Vision Awards: Enterprise with Best Marketing Innovation"* (第八屆中國廣告主金遠獎 — 最具營銷創新力企業) in 2016.

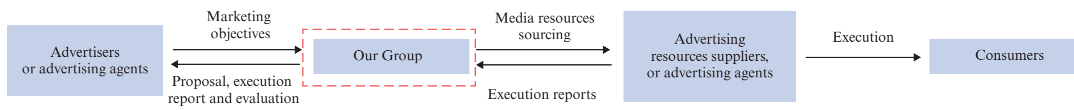
Taking advantage of our capability in formulating customised advertising solutions to our customers and our strong market position, we are experienced in providing advertising services to advertisers, or through their agents, from a wide spectrum of industries such as foods and beverages, household furnishing and electronics, internet and mobile games, telecommunications, pharmaceuticals and automobile industries. We are able to maintain business relationships with various renowned national enterprises in the PRC, such as Wanglaoji Advertiser, the advertiser of a leading home appliances manufacturer in the PRC (headquartered in Qingdao), the advertiser of a leading kitchen appliances manufacturer (headquartered in Ningbo) and a state-owned enterprise which ranked top three in the telecommunications services industry in the PRC in terms of revenue in 2018.

Riding on our strong customer base, we are able to establish a strong presence in the TV advertising media services industry through maintaining long-standing relationships with our major TV station suppliers which are first-tier provincial satellite TV stations such as Jiangsu Radio and Television Group Co., Ltd.* (江蘇省廣播電視集團有限公司) ("**Jiangsu TV**") and leading provincial satellite TV stations in Hunan, Shanghai and Zhejiang. These long-established relationships give us competitive edge in securing valuable TV advertising resources such as TV advertising time slots during prime time and the rights to implant soft-sell advertisements in variety shows or TV series with high viewership and demand in renowned TV stations. For example, we successfully sourced advertising time slots during the broadcast of a singing contest through blind auditions among laymen in China in 2013, and a game variety show where the hosts and the guests were required to complete missions with running in order to win a competition in 2015 from a first-tier provincial satellite TV station in Zhejiang, and the rights to implant soft-sell advertisements for one of our major customers, the advertiser of a home appliances manufacturer headquartered in Qingdao, in (i) "Star Chef"《星廚駕到》 from 2014 to 2016; (ii) "Xianchu Dangdao"* 《鮮廚當道》 in 2017; (iii) "Three Gardens"* 《三個院子》from 2017 to 2018; and (iv) "Knowledge is Power"《知識就是力量》in 2018 from Jiangsu TV. Furthermore, due to our established relationships with these provincial satellite TV stations, we are able to consolidate TV advertising resources available and allow our customers to access a broad range of TV advertising resources from different TV stations.

We entered into first contract of our online and outdoor advertising services upon the request of our customers in 2011 and 2007, respectively. Due to the increasing demand for multi-channel advertising services and riding on our years of experience in the advertising industry, we expanded our online and outdoor advertising services in 2017. Leveraging on our experience in providing advertising services and our strong data analytical capabilities, we are able to identify the relevant suppliers possessing specific online and outdoor advertising resources, such as the rights to place advertisements on platforms such as search engines, websites, buildings and subways, to satisfy the demand of our customers. In particular for our online advertising services, we are capable of offering online advertising solutions to our customers through analysing the preference and behaviour of the internet users, the types of online advertising services used by competitors of our customers, and the characteristics and effectiveness of various online platforms. Since then, we have been able to offer advertising solutions covering TV, online, outdoor and other types of advertisements to be placed on various platforms to address the diverse advertising needs of our customers. Advertising industry is characterised by rapidly changing environment and viewer preference. Our Group's diversification to online and outdoor advertising businesses demonstrates our ability in adapting to the rapidly changing environment of the advertising industry in the PRC.

OUR BUSINESS MODEL

The following chart sets forth our business model in providing TV, online and outdoor advertising services:



We identify the marketing objectives and demand of our customers and then formulate customised advertising proposals for them. After receiving confirmations from our customers on the advertising resources to be acquired, we purchase the relevant advertising resources from our suppliers for execution.

There was time lag between making payments to our suppliers and receiving payments from our customers during the Track Record Period. Our TV station suppliers and outdoor advertising resources suppliers generally require us to settle payment in full or by part before broadcasting the advertisements or executing our advertising solutions, while we generally (i) grant credit terms to our customers ranging from three to 90 days after the execution of the TV advertising solutions and the receipt of broadcast confirmations and/or broadcasting reports by customers; and (ii) request our customers for outdoor advertising services to settle our payments by two instalments within one to two months upon signing of contract and upon final execution of the advertising solution. For online advertising services, our Group generally grants credit periods to customers ranging from five to 60 days after the execution of the online advertising solution each month. We normally pay our online advertising suppliers within two to 60 days after actual number of impression or click were calculated each month. For a few suppliers, we are required to make prepayment before execution and the prepayment amounts are deducted based on monthly execution statements issued by the suppliers. During the Track Record Period, the average time lag between our Group's payments to suppliers and the receipts of settlements from our customers were approximately 66 days, 53 days, 54 days and 55 days. Such time lags led to cash flow mismatch of our Group's operations.

INVESTMENT IN TV SERIES, INTERNET DRAMAS AND MOVIES

During the Track Record Period, in addition to the provision of advertising services, our Group invested in four TV series, internet dramas or movies. Our Group entered into four investment agreements with producers or writers of the TV series, internet dramas or movies on a project basis. We did not involve in the production of such TV series, internet dramas and movies. The following table sets forth the four investments in TV series, internet dramas or movies made by our Group during the Track Record Period:

	Agreement A	**Agreement B**	**Agreement C**	**Agreement D**
Date of agreement	16 November 2015 (as supplemented on 1 March 2016)	31 October 2017 (as supplemented on 21 December 2018)	25 January 2018 (as supplemented on 28 December 2018)	16 April 2018
Nature	TV series	Internet drama	TV series	Internet movie
Investment amount	RMB25.0 million	RMB13.0 million	RMB20.0 million	RMB1.05 million
Status	Completed shooting and broadcasting in 2016. The investment amount was returned in 2016.	Completed shooting and broadcasting as at the Latest Practicable Date.	In the process of pre-shooting preparation as at the Latest Practicable Date.	Completed shooting and broadcasting as at the Latest Practicable Date.
Expected rate of return	Fixed rate of return of 20.0% of the investment amount according to the supplemental agreement, income of which are categorised as other income.	Fixed rate of return of 18.0% for the period from 1 January 2019 to 31 December 2020 according to the supplemental agreement, income of which are categorised as other income.	No fixed rate of return. Interest based on the percentage of our investment, and income generated from the distribution of the TV series and the sale of advertising resources. Our Directors estimated that the expected rate of return was approximately 18.0%*(Note)*.	No fixed rate of return. 15.0% interest in income generated from the distribution of the movie on online platforms and the sale of advertising resources. Our Directors estimated that the expected rate of return was approximately 18.0%*(Note)*.

	Agreement A	Agreement B	Agreement C	Agreement D
Gain/(loss) associated with the investments	Other gains of approximately RMB4.7 million as fair value change of financial assets at FVTPL was recognised for the year ended 31 December 2016.	Other gains of approximately RMB373,000 was recognised as accrued interest income on loan receivable for the four months ended 30 April 2019.	Other losses of approximately RMB560,000 as fair value change of financial assets at FVTPL was recognised for the four months ended 30 April 2019.	No income and other gains and losses was recognised during the Track Record Period.

Note: The expected rate of return of Agreement C and Agreement D were estimated based on the capital assets pricing model and taking into consideration the risk-free rate, the estimated market return which was determined based on the market expectation and required rate of return for similar business of listed comparables in the PRC, estimated beta of business which is determined with reference to betas and capital structures of comparable guideline public companies with similar business in the PRC, the general economic outlook and the historical rate of return of our four investments.

For further details of our four investments, please refer to the section headed "Business — Investment in TV series, internet dramas and movies" of this prospectus.

OUR PRINCIPAL BUSINESS

During the Track Record Period, our Group provided the following types of advertising services to our customers (i) TV advertising services; (ii) online advertising services; (iii) outdoor advertising services; and (iv) other advertising services. The following table sets forth the breakdown of our revenue and gross profit margin by service type during the Track Record Period:

	For the year ended 31 December									For the four months ended 30 April					
	2016			2017			2018			2018			2019		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	RMB'000	*(%)*	*(%)*	*RMB'000*	*(%)*	*(%)*	*RMB'000*	*(%)*	*(%)*	*RMB'000*	*(%)*	*(%)*	*RMB'000*	*(%)*	*(%)*
TV advertising services	306,783	98.0	13.6	598,730	90.6	12.0	527,043	67.3	11.2	184,695	87.1	8.7	117,275	43.7	6.1
Online advertising services	4,334	1.4	19.0	33,148	5.0	17.9	195,839	25.0	13.7	8,863	4.2	18.7	125,372	46.7	12.2
Outdoor advertising services	—	—	—	17,221	2.6	30.6	51,568	6.6	16.2	15,845	7.5	16.8	24,410	9.1	16.4
Other advertising services (Note)	1,965	0.6	41.6	11,513	1.8	5.0	8,914	1.1	17.7	2,527	1.2	9.3	1,347	0.5	9.7
Total	313,082	100.0	13.8	660,612	100.0	12.6	783,364	100.0	12.2	211,930	100.0	9.7	268,404	100	9.9

Note: Other advertising services include our services relating to the placement of advertisements on radio channels, newspapers and magazines, and organisation of marketing events.

TV Advertising Services

Our TV advertising services consist of (i) hard-sell TV advertisements; and (ii) advertising solution packages. The advertising solution packages we offer generally include implantation of soft-sell TV advertisements in variety shows and TV series, supplementing with hard-sell TV advertisements. Soft-sell TV advertisements are usually content-related and examples of which include product placement, title sponsorship, subtitle advertisement and verbal slogan. We apply the content marketing approach for our soft-sell TV advertisements to implant the advertised products, services or brands in variety shows or TV series in a natural and subtle way through formulating a set or scene matched with such advertised products, services or brands. For example, we create a game in a variety show in which the advertised products must be used by the guests during the game. For details of the change in our revenue generated from TV advertising services during the Track Record Period, please refer to the section headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss — Revenue from continuing operations — (i) TV advertising services" in this prospectus.

CUSTOMERS

Our customers include advertisers (either brand owners or advertising companies controlled by the brand owners) and advertising agents in the PRC. We contracted with either advertisers or advertising agents for promoting the brands, products and services of the advertisers. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, the aggregate revenue attributable to our five largest customers in terms of revenue were approximately RMB246.1 million, RMB560.7 million, RMB527.4 million and RMB198.3 million, respectively, which accounted for approximately 78.6%, 84.9%, 67.3% and 73.9% of our total revenue, respectively. For the same period, revenue attributable to our largest customer in terms of revenue was approximately RMB92.9 million, RMB255.8 million, RMB189.6 million and RMB64.8 million, which accounted for approximately 29.7%, 38.7%, 24.2% and 24.1% of our total revenue, respectively. Please refer to the section headed "Business — Customers" in this prospectus for further details.

PRICING POLICY

We formulate and adjust our pricing policy in accordance with industry information and market trends. We generally determine our service fee based on a cost-plus approach with reference to the costs of acquiring the advertising resources. Consistent with industry practice, the cost, thus the fee for various forms of advertising resources ranges widely depending on its nature and distribution platforms. We may adjust the price on a case-by-case basis, taking into account other factors including (i) the estimated time to be spent and the complexity of the project, such as the number of employees to be involved in the project and customers' requirements; (ii) the services we provide and the advertising budgets of our customers; and (iii) future business opportunities with the customers. Please refer to the section headed "Business — Pricing Policy" in this prospectus for further details.

SUPPLIERS

During the Track Record Period, we generally sourced advertising resources from advertising resources providers and advertising agents. Advertising resources providers (i.e. ultimate advertising resources suppliers) are generally companies possessing advertising resources directly, examples of which include TV stations, owners of websites, search engines, social media platforms, and outdoor platforms. Advertising agents are advertising companies which source advertising resources from the ultimate advertising resources suppliers. During the Track Record Period, the cost of revenue related to our five largest suppliers in terms of cost of revenue accounted for approximately RMB216.9 million, RMB399.2 million, RMB323.5 million and RMB183.6 million, representing approximately 80.4%, 69.2%, 47.0% and 76.0% of our total cost of revenue, respectively. The cost of revenue related to our largest supplier in terms of cost of revenue in the corresponding period accounted for approximately RMB119.9 million, RMB190.9 million, RMB92.8 million and RMB84.8 million, representing approximately 44.5%, 33.1%, 13.5% and 35.1% of our total cost of revenue, respectively. Please refer to the section headed "Business — Suppliers" in this prospectus for further details.

COMPETITIVE STRENGTHS

We believe our success is attributed to, among other things, the following competitive strengths:

- we are an established TV advertising media service provider in the PRC;
- we have established and maintained credible business relationships with renowned advertisers;
- we have established long-standing business relationships with our major suppliers, most of which are first-tier provincial satellite TV stations in the PRC;
- we have diverse service offerings which enable us to be a multi-channel advertising service provider;
- we have a strong strategy formulation and data analytical capabilities in providing tailor-made advertising solutions to our customers; and
- we have a competent management team with experience and expertise in the advertising industry.

BUSINESS STRATEGIES

Our key business strategies are to:

- enhance our market position as an established TV advertising service provider;
- enhance our capabilities as a multi-channel advertising service provider through strengthening our online advertising services (such as by developing content marketing in online platforms through cooperating with operators of online video platforms to assist customers in purchasing advertising rights in variety shows or TV series to be played on online video platforms) and outdoor advertising services; and
- strengthen our strategy formulation and data analytical capabilities.

COMPETITION

The advertising industry in the PRC we operate is fragmented and highly competitive. We compete directly with other advertising service providers. We believe we are differentiated from our competitors in factors such as our relationships with renowned advertisers and first-tier provincial satellite TV stations, and our strategy formulation capabilities. Due to the increasing demand for multi-channel advertising services, we expect competition in the advertising industry to intensify.

HIGHLIGHTS OF RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our Group, our industry, conducting business in the PRC and the Global Offering. You should read the entire section headed "Risk Factors" in this prospectus carefully. The major risks relating to our Group include:

- we have concentrated customer base and the strong market positions of our major customers may limit our bargaining power when entering into contracts with these major customers;
- our cash flow may deteriorate due to material payment delays by our customers which may negatively affect our business, financial position and results of operations;
- we have concentrated supplier base and any increases in cost of the advertising resources provided by our major suppliers could materially and adversely affect our results of operations, financial position and business prospects;
- we may experience fluctuations in the gross profit margin for our advertising services; and
- our business may be affected by seasonal fluctuation in demand for our advertising services of customers in different industries.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

Selected items in our consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 December			For the four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	313,082	660,612	783,364	211,930	268,404
Gross profit	43,325	83,365	95,611	20,633	26,529
Profit before tax	22,093	51,355	62,469	10,589	10,231
Profit for the year/period from continuing operations	15,766	37,740	46,623	7,907	6,677

The total revenue of our Group from continuing operations increased from approximately RMB313.1 million for the year ended 31 December 2016 to approximately RMB660.6 million for the year ended 31 December 2017, primarily due to (i) the increase in revenue from our TV advertising services, mainly attributable to the increase in advertising demands of our major customers on TV advertising services in first-tier provincial satellite TV stations and increase in revenue from a new customer in telecommunications services industry in the PRC; and (ii) the increase in revenue from online and outdoor advertising services as a result of our expansion to these advertising services in 2017. The total revenue further increased to approximately RMB783.4 million for the year ended 31 December 2018, primarily due to the increase in revenue generated from online and outdoor advertising services as a result of our expansion to online and outdoor advertising services. The total revenue increased from approximately RMB211.9 million for the four months ended 30 April 2018 to approximately RMB268.4 million for the four months ended 30 April 2019, primarily due to the increase in demand for our online and outdoor advertising services as a result of the expansion of these advertising services. Please refer to the section headed "Financial Information — Description of selected items in consolidated statements of profit or loss — Revenue from continuing operations" for further details.

We recorded accumulated loss of approximately RMB1.3 million in the reserve of the equity as at 1 January 2016, which was primarily due to the decrease in the reserve of the equity as a result of the fact that (i) Beijing Ruicheng paid dividend of approximately RMB13.2 million to its then shareholders for the year ended 31 December 2015; and (ii) the write-offs of aged accounts receivables and prepayments of approximately RMB10.0 million arising from the period prior to the Track Record Period. To manage such credit risk, our Group has delegated our finance department for carrying out regular review on the amount of accounts receivables and prepayments at the end of each month. They are responsible for reviewing the recoverability of the accounts receivables every month to ensure adequate provisions for impairment loss are made for irrecoverable amounts, and taking follow-up actions together with our sales department and media operation department to recover overdue amounts from our customers and suppliers.

During the Track Record Period, we recorded nil, nil, approximately RMB1.0 million and RMB1.1 million impairment losses, net of reversals. We made allowance for credit losses on trade and notes receivables of nil, nil, approximately RMB2.2 million and RMB2.8 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

Selected items in our consolidated statements of financial position

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	13,346	66,004	25,625	39,911
Current assets	123,590	243,144	262,355	241,897
Current liabilities	34,940	160,868	197,254	186,359
Net current assets	88,650	82,276	65,101	55,538
Non-current liabilities	7,167	13,238	2,795	2,027
Total equity	94,829	135,042	87,931	93,422

The total equity increased from approximately RMB94.8 million as at 31 December 2016 to approximately RMB135.0 million as at 31 December 2017, primarily due to our profit for the year from continuing operations. It decreased to approximately RMB87.9 million as at 31 December 2018, primarily due to the dividends declared and distribution of subsidiaries to owners of our Group, net off against our profit from continuing operations in 2018. The total equity increased to approximately RMB93.4 million as at 30 April 2019, primarily due to our profit for the period from continuing operations. Please refer to the section headed "Financial Information — Discussion on certain items from the consolidated statements of financial position" for further details.

Our net current assets decreased from approximately RMB65.1 million as at 31 December 2018 to approximately RMB55.5 million as at 30 April 2019, primarily due to the decrease in current assets, partially offset by the decrease in current liabilities. The current assets decreased primarily due to decrease in bank balances and cash as a result of purchase of financial assets at FVTPL, representing our investment in a TV series. The decreased in current liabilities was mainly due to the decreased in trade and other payables.

Selected items in our consolidated statements of cash flows

	For the year ended 31 December			For the four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating cash flows before movements in working capital	21,337	59,239	74,008	14,580	15,430
Net cash (used in) generated from operating activities	(40,779)[1]	(1,624)[2]	22,008	(44,417)	(4,844)[3]
Net cash generated from (used in) investing activities	40,657	(23,544)	(6,250)	(5,545)	(14,971)
Net cash (used in) generated from financing activities	(38,619)	70,065	(36,168)	(6,612)	1,085
Net (decrease) increase in cash and cash equivalents	(38,741)	44,897	(20,410)	(56,574)	(18,730)
Cash and cash equivalents at beginning of year/period	51,001	12,260	57,157	57,157	36,747
Cash and cash equivalents at end of year/period	12,260	57,157	36,747	583	18,017

Notes:

1. We recorded negative cash flow from operating activities in 2016, primarily attributable to the increase in trade and notes receivables, prepayments and other receivables of approximately RMB57.9 million due to the increase in our total revenue in the fourth quarter and decrease in trade and other payables of approximately RMB4.0 million, income tax paid of RMB4.5 million.

2. We recorded negative cash flow from operating activities in 2017, primarily attributable to the increase in trade and notes receivables, prepayments and other receivables of approximately RMB72.8 million as a result of the increase in our total revenue in 2017, the decrease in trade and other payables of approximately RMB31.9 million as a result of settlement in advance for advertising resources for some projects, income tax paid of approximately RMB7.6 million and interest paid of approximately RMB2.7 million.

3. We recorded negative cash flow from operating activities for the four months ended 30 April 2019, primarily attributable to the decrease in trade and other payables of approximately RMB14.1 million due to the settlement of trade payables in the first quarter of 2019, income taxes paid of approximately RMB7.0 million and interest paid of approximately RMB2.0 million.

In order to improve our cash flow position, our finance department monitors our liquidity requirements to ensure we have sufficient cash to meet operational needs, taking into consideration our contracts signed but not yet executed, the operating cost of our Group, debt financing plans and debt covenant compliance. In addition, we will continue to closely monitor the settlement status of our trade and notes receivables and regularly review the credit terms offered to our customers.

KEY FINANCIAL RATIOS

The table below sets forth our selected key financial ratios during the Track Record Period:

	Year ended/as at 31 December			Four months ended/as at 30 April
	2016	2017	2018	2019
Gross profit margin[1]	13.8%	12.6%	12.2%	9.9%
Net profit margin[2]	5.0%	5.7%	6.0%	2.5%
Gearing ratio[3]	9.7%	58.0%	106.4%	102.0%
Current ratio[4]	3.5 times	1.5 times	1.3 times	1.3 times
Return on equity[5]	16.6%	27.9%	53.0%	N/A[9]
Return on assets[6]	11.5%	12.2%	16.2%	N/A[9]
Interest coverage ratio[7]	45.3 times	29.5 times	11.3 times	4.8 times
Net debt to equity ratio[8]	Net cash	15.7%	64.6%	82.7%

Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year/period multiplied by 100%.

2. The net profit margin is calculated by dividing the profit from continuing operations by the revenue for the respective year/period multiplied by 100%.

3. The gearing ratio is calculated by dividing the sum of total bank and other borrowings, amounts due to Qingdao Chaoqun, and lease liabilities by total equity as at the end of respective periods multiplied by 100%.

4. The current ratio is calculated by dividing current assets by current liabilities as at the end of the respective periods.

5. Return on equity equals profit for the year/period from continuing operations divided by the total equity as at the end of the respective periods multiplied by 100%.

6. Return on assets is calculated profit for the year/period from continuing operations divided by the total assets as at the end of the respective periods multiplied by 100%.

7. Interest coverage ratio is calculated by dividing earnings before interest and taxes by interest expenses.

8. Net debt to equity ratio equals net debt divided by total equity at the end of the period. Net debt includes bank and other borrowings, amounts due to Qingdao Chaoqun, and lease liabilities net of bank balances and cash.

9. The return on equity and return on assets are not applicable for the four months ended 30 April 2019 as they may not be directly comparable to annual figures.

Our gross profit margin decreased from approximately 13.8% for the year ended 31 December 2016 to approximately 12.6% for the year ended 31 December 2017, primarily due to the relatively low gross profit margin of TV advertising service projects with one of our major customers in large kitchen appliances industry in 2017, and further decreased to 12.2% for the year ended 31 December 2018 due to the decrease in gross profit margin in TV, online and outdoor advertising services. For the four months ended 30 April 2019, we recorded a relatively low gross profit margin of approximately 9.9%, primarily due to (i) the relatively low gross profit margin of a TV advertising project for the Chinese New Year in 2019 with a major customer in ready-to-drink tea industry; (ii) our pricing strategy to set a relatively competitive price for the customer in telecommunications services industry for our TV advertising services to maintain business relationship; and (iii) the decrease in gross profit margin from online advertising services as a result of relatively competitive price for our online advertising services to capture online advertising business. Please refer to the section headed "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss — Gross profit and gross profit margin" in this prospectus for further details of the change in the gross margin profits of our TV, online and outdoor advertising services during the Track Record Period.

Our net profit margin increased from approximately 5.0% for the year ended 31 December 2016 to approximately 5.7% for the year ended 31 December 2017, then increased to 6.0% for the year ended 31 December 2018, primarily due to the lower increasing rate of our expenses than our revenue during the Track Record Period. It decreased to approximately 2.5% for the four months ended 30 April 2019, primarily due to (i) relatively lower gross profit margin in the period and (ii) the listing expenses incurred in connection with the Global Offering. The adjusted net profit margin excluding the listing expenses, which is a non-IFRS financial measure, for the four months ended 30 April 2019 was approximately 4.6%.

Non-IFRS financial measure

Adjusted net profit margin excluding the listing expenses is a non-IFRS financial measure which, in the opinion of our Directors, eliminates the effect of major non-recurring expenses is useful for investors in comparing our performance without regard to items that do not affect our ongoing operating performance or cash flow. Although the financial measure is reconcilable to the line items in the historical financial information set forth in Appendix I to this prospectus, it should not be considered as a measure comparable to, and should not be used as substitutes for, items in consolidated statements of comprehensive income and consolidated statements of cash flows as determined in accordance with the IFRS.

	For the year ended 31 December			For the four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period from continuing operations	15,766	37,740	46,623	7,907	6,677
Add: listing expenses	—	—	4,143	—	5,759
Adjusted profit for the year/period excluding the listing expenses	15,766	37,740	50,766	7,907	12,436
Adjusted net profit margin excluding the listing expenses *(Note)*	5.0%	5.7%	6.5%	3.7%	4.6%

Note: Adjusted net profit margin excluding the listing expenses is calculated based on the adjusted profit for the year/period excluding the listing expenses divided by revenue for the respective year/period and multiplied by 100%.

Investors should not consider the non-IFRS financial measurement as a substitute for or superior to our IFRS results. For details, please refer to the section headed "Financial Information — Non-IFRS financial measure" in this prospectus.

LISTING EXPENSES

The estimated total listing expenses in connection with the Global Offering are approximately HK$48.9 million or RMB44.1 million (based on the mid-point of the Offer Price of HK$1.50 per Offer Share, of which approximately RMB21.2 million is expected to be capitalised. During the Track Record Period, we incurred listing expenses of approximately RMB13.0 million, of which approximately RMB4.1 million and RMB5.8 million were recognised as expenses in our consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018 and for the four months ended 30 April 2019, respectively. We expect to incur additional listing expenses (including underwriting commission) of approximately RMB31.1 million subsequent to 30 April 2019, of which approximately RMB13.0 million is expected to be recognised as expenses in the consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2019 and approximately RMB18.1 million is expected to be recognised as a deduction in equity directly. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK$1.50, being the mid-point of the indicative Offer Price range, will be approximately HK$101.1 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply the net proceeds in the following manner:

- approximately 47.7%, or HK$48.2 million, is expected to be used to enhance our market position in TV advertising through strengthening our financial position to satisfy the prepayment obligation to TV stations to acquire TV advertising resources;
- approximately 30.0%, or HK$30.4 million, is expected to be used to further develop our online advertising business;
- approximately 12.3%, or HK$12.4 million, is expected to be used to further develop our outdoor advertising business; and
- approximately 10.0%, or HK$10.1 million, is expected to be used to strengthen our strategy formulation and data analytical capabilities and enhance our reputation in the market.

OFFER STATISTICS

	Based on the indicative Offer Price of HK$1.25 per Offer Share	**Based on the indicative Offer Price of HK$1.75 per Offer Share**
Market capitalisation of the Shares expected to be in issue following the completion of the Global Offering, the Loan Capitalisation and the Capitalisation Issue[1]	HK$500.0 million	HK$700.0 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share[2]	HK$0.48	HK$0.59

Notes:

1. The calculation of market capitalisation is based on 400,000,000 Shares expected to be in issue immediately following the completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

2. The unaudited pro forma adjusted consolidated net tangible assets per Share has been prepared after the adjustments referred to the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus and on the basis of 400,000,000 Shares expected to be in issue assuming that the Loan Capitalisation, the Capitalisation Issue and the Global Offering had been completed without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

DIVIDENDS

During the year ended 31 December 2016, 31 December 2017, 31 December 2018 and the four months ended 30 April 2019, dividends of nil, nil, approximately RMB54.0 million and nil, respectively, were paid or declared by our Group. The dividends distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

After completion of the Global Offering, while we currently have no plans to pay dividends to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

Our Company currently does not have any predetermined dividend payout ratio. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial position, working capital, capital requirements and other factors our Board may deem relevant. We will review our dividend policy from time to time. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

LISTING ON AND DELISTING FROM THE NEEQ

On 2 August 2016, Beijing Ruicheng listed its issued shares on the NEEQ under the stock code of 838285. Subsequently, in consideration of our future business development strategies and the intention to be listed on the Stock Exchange, it was delisted from the NEEQ on 9 October 2018.

OUR SHAREHOLDING STRUCTURE

Our Controlling Shareholders

Immediately following completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), Ms. Wang through Yingheng will be entitled to exercise voting rights of approximately 40.43% of the issued share capital of our Company. Yingheng is an investment holding company wholly-owned by Ms. Wang, and since its incorporation up to the Latest Practicable Date, it has not commenced any business operation. Accordingly and for the purpose of the Listing Rules, Ms. Wang and Yingheng are our Controlling Shareholders.

Pre-IPO Investments

We undertook the Pre-IPO Investments in preparation of the Listing. Immediately after the completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering, the Pre-IPO Investors, Ms. Wang Zeli (through her shareholding in Ruichengtianhe), Ms. Liu Yang (through her shareholding in Ruichengdemao) and Mr. Soon (through his shareholding in Hengrui) will be effectively entitled to approximately 2.11%, 0.74% and 0.74% of the issued Shares of our Company. All of our Pre-IPO Investors are individual investors. Ms. Wang Zeli is currently the deputy general manager of Tianjin Zhongbeiya Automobile Trading Co., Ltd* (天津中北亞汽車貿易有限公司), a company principally engaged in the sales of automobile. Ms. Liu Yang is currently a director and shareholder of Beijing Yiming Food and Beverage Limited* (北京一明飲食文化有限公司), which is primarily engaged in the innovative media and advertising industry. Mr. Soon is currently the president of the Norway-China Tour Guide Association* (挪中導遊協會) and the president of the Norway China Friendship Association (挪威中國友好協會). All of the Pre-IPO Investors, to the best knowledge and belief of our Directors, are Independent Third Parties. Please refer to section headed "History, Reorganisation and Corporate Structure — Pre-IPO Investments" for further details.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

- a waiver from the strict compliance with Rule 8.12 of the Listing Rules in relation to management presence in Hong Kong; and
- a waiver under and in respect of Rules 3.28 and 8.17 of the Listing Rules in relation to joint company secretaries.

LEGAL AND REGULATORY COMPLIANCE

Save as disclosed in the section headed "Business — Legal and regulatory compliance" in this prospectus in relation to our Group's certain non-compliance incidents, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with the relevant laws and regulations in relation to our business in all material respects, and there were no material breaches or violations of the laws or regulations applicable to us that would have a material adverse effect on our business or financial position taken as a whole. As at the Latest Practicable Date, none of our Group or any of our Directors was engaged in any litigation or claim or arbitration of material importance, and to the best knowledge of our Directors, to be pending or threatened against our Group or our Directors.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

Our business model, revenue and cost structure basically remained unchanged subsequent to the Track Record Period and up to the Latest Practicable Date. Subsequent to the Track Record Period and up to the Latest Practicable Date, we entered into 14, 17 and seven contracts of our TV, online and outdoor advertising services, with an aggregate contract sum of approximately RMB236.4 million, RMB173.2 million and RMB13.9 million, respectively. As part of our business strategy to enhance our capabilities as a multi-channel advertising service provider through strengthening our online and outdoor advertising services, our Directors believe that our online and outdoor advertising business will continue to grow.

As at the Latest Practicable Date, we had a total of 22 ongoing projects with a total outstanding contract sum of approximately RMB302.4 million, of which revenue of approximately RMB267.1 million is expected to be recognised in 2019 subsequent to the Latest Practicable Date based on the management's estimation and taking into account the respective existing timetable. In addition, there were six ongoing online advertising projects in which the contract sums were not stipulated in their respective contracts, and the amount will be based on the execution of the online advertising solutions. The amount of online advertising resources purchased by the relevant customers of these six online advertising projects from January to September 2019 ranged from approximately RMB12.4 million to RMB69.2 million. The customers of these projects include online advertising agents, mobile games developers and technology companies.

Considering the relatively low gross profit margin for the four months ended 30 April 2019, we expect our gross profit margin for the year ending 31 December 2019 may decline, and our net profit margin in 2019 may decline, primarily due to (i) the relatively low gross profit margin; and (ii) the increase in the listing expenses. In light of this, our Directors will adopt a flexible pricing strategy to adjust our price on a case-by-case basis, taking into account various factors such as the types of customers, the cost of advertising resources and the size of the projects. For recurring customers, we will generally set a relatively stable price targeting to maintain our gross margin profit and our business relationships with such customers. In order to solicit new business opportunities and increase our market share, we will generally set a competitive price for new sizeable customers or customers with sizeable projects.

Save for the listing expenses in connection with the Global Offering, our Directors confirm that there had been no material adverse change in our financial or trading position since 30 April 2019, being the date of our latest audited consolidated financial statements were made up, and up to the date of this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"Accountants' Report"	the accountants' report of our Group from the reporting accountants of our Company, the text of which is set out in Appendix I to this prospectus
"affiliate(s)"	any person(s), directly or indirectly, controlling, controlled by or under direct or indirect common control with another person(s)
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s), **GREEN** application form(s) or, where the context so requires, any of them to be used in connected with the Hong Kong Public Offer
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on 22 October 2019, as amended, supplemented or otherwise modified from time to time, which shall become effective on the Listing Date, a summary of which is set out in Appendix III to this prospectus
"Beijing Lingyu"	Lingyu (Beijing) Cultural Media Co., Ltd.* (領育(北京)文化傳媒有限公司), a limited liability company established in the PRC on 29 October 2018 and an indirect non-wholly-owned subsidiary of our Company, which was owned as to 88.0%, 7.0% and 5.0% by Beijing Ruicheng, Mr. Feng Xing and Ms. Lin Zi, respectively, as at the Latest Practicable Date
"Beijing Qianyantong"	Beijing Qianyantong Information Technology Co., Ltd.* (北京千眼通信息科技有限公司), a limited liability company established in the PRC on 12 December 2016, whose 7.5% equity interest was owned by Ruicheng Hexin as at the Latest Practicable Date
"Beijing Ruicheng"	Beijing Ruicheng Advertising Co., Ltd.* (北京瑞誠廣告有限公司) (formerly known as Beijing Ruicheng Advertising Co., Ltd.* (北京瑞誠廣告股份有限公司)), a limited liability company established in the PRC on 9 April 2003 and an indirect wholly-owned subsidiary of our Company
"Beijing Ruicheng Jiaye"	Beijing Ruicheng Jiaye Public Relations Consulting Co., Ltd.* (北京瑞誠嘉業公關顧問有限公司) (formerly known as Beijing Ruicheng Jiaye Advertising Co., Ltd.* (北京瑞誠嘉業廣告有限公司)), a limited liability company established in the PRC on 21 December 2015 and, as at the Latest Practicable Date, was wholly-owned by Ruicheng Hexin

"Beijing Yiziyiju"	Beijing Yiziyiju Cultural Media Co., Ltd.* (北京壹字壹句文化傳媒有限公司), a limited liability company established in the PRC on 12 July 2018 and, as at the Latest Practicable Date, was owned as to 60.0% by Qingdao Chaoqun and 40.0% by an Independent Third Party
"Beijing Yuehe"	Beijing Yuehe Management Consulting Co., Ltd.* (北京悅和管理諮詢有限公司), a limited liability company established in the PRC on 2 April 2019 established for the purpose of the demerger as described in the section headed "History, Reorganisation and Corporate Structure — Reorganisation — Onshore reorganisation — Demerger of Beijing Ruicheng" in this prospectus
"Board" or "Board of Directors"	our board of Directors
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 291,839,199 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed " A. Further Information about our Company — 3. Resolutions of our Shareholders passed on 22 October 2019" in Appendix IV to this 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
"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 Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practises, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chengyunruicheng"	Chengyunruicheng Co., Ltd (承運瑞誠有限公司), a company with limited liability incorporated in the BVI on 19 December 2018 and is owned by an Independent Third Party
"China" or the "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references to China or the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CIC"	China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a market research and consulting company, an Independent Third Party
"CIC Report"	the industry report prepared by CIC and commissioned by our Company, the content of which is quoted in this prospectus
"Co-Managers"	Chuenman Securities Limited and Zundiao Securities Limited
"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"	the Companies Law of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Ruicheng (China) Media Group Limited (瑞誠(中國)傳媒集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 15 January 2019
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, for the purpose of our Company, refer to Ms. Wang and Yingheng
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)

"Deed of Indemnity"	the deed of indemnity dated 22 October 2019 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries stated therein) to provide certain indemnities, particulars of which are set out in the section headed "E. Other Information — 1. Tax and other indemnities" in Appendix IV to this prospectus
"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax
"EIT Law"	Enterprise Income Tax Law of the PRC 《中華人民共和國企業所得稅法》
"FVTPL"	fair value through profit or loss
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Global Offering"	the Hong Kong Public Offer and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and "we", "our" or "us" shall be construed accordingly
"Haohuan"	Haohuan Co., Ltd (昊寰有限公司), a company with limited liability incorporated in the BVI on 19 December 2018 and is owned by the employees of Beijing Ruicheng
"Henghe"	Henghe Co., Ltd (恒和有限公司), a company with limited liability incorporated in the BVI on 19 December 2018 and is owned by the employees of Beijing Ruicheng

"Hengrui"	Hengrui Co., Ltd, a company with limited liability incorporated in the BVI on 12 November 2018 and is wholly-owned by Mr. Soon
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong Government"	the Government of the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Offer Shares"	the 10,000,000 Shares initially being offered by our Company for subscription at the Offer Price under the Hong Kong Public Offer (subject to re-allocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus)
"Hong Kong Public Offer"	the offer to the public in Hong Kong for subscription of the Hong Kong Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and on the Application Forms
"Hong Kong Underwriters"	the underwriters listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus, being the underwriters of the Hong Kong Public Offer
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated 30 October 2019 relating to the Hong Kong Public Offer entered into among our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Hong Kong Underwriters, details of which are summarised in the section headed "Underwriting" in this prospectus

"IASB"	the International Accounting Standards Board
"IFRSs"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the IASB and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Non-executive Directors"	the independent non-executive Directors of our Company
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial Shareholders (within the meaning of the Listing Rules), of our Company, our subsidiaries or any of their respective associates
"International Placing"	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of our Company outside the United States (including to professional, institutional and other investors in Hong Kong) in reliance on Regulation S at Offer Price, subject to adjustment and the exercise of the Over-allotment Option as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Placing Shares"	the 90,000,000 Shares initially being offered by our Company for subscription at the Offer Price under the International Placing (subject to re-allocation and the Over-allotment Option as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement to underwrite the International Placing Shares
"International Underwriting Agreement"	the international placing agreement relating to the International Placing and to be entered into between, amongst others, our Company, our executive Directors, the Controlling Shareholders and the International Underwriters on or about the Price Determination Date

"Jing Gen"	Jing Gen Holdings Limited (經亘控股有限公司), a company with limited liability incorporated in the BVI on 19 December 2018 and is owned as to approximately 52.43%, 18.65%, 21.96% and 6.96% by Mr. Leng Xuejun, Ms. Lin Zi, employees of Beijing Ruicheng and an Independent Third Party, respectively
"Joint Global Coordinators", "Joint Bookrunners" and "Joint Lead Managers"	Dongxing Securities (Hong Kong) Company Limited and Aristo Securities Limited
"Jujia"	Jujia Co., Ltd (巨佳有限公司), a company with limited liability incorporated in the BVI on 19 December 2018 and is wholly-owned by Ms. Li
"Latest Practicable Date"	21 October 2019, being the latest practicable date for ascertaining certain information contained in this prospectus prior to the printing of this prospectus
"Listing"	the listing and the commencement of dealings of our Shares on the Main Board
"Listing Date"	the date on which our Shares are listed and Shares first commence dealing on the Main Board, which is expected to be on or about Tuesday, 12 November 2019
"Listing Division"	the Listing Division of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Capitalisation"	the capitalisation of the loan owed to Ms. Wang in an aggregate sum of RMB1,777,000 as full settlement by the issuance of 1 new Share to Yingheng
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company conditionally adopted on 22 October 2019 and to take effect on the Listing Date as supplemented, amended or otherwise modified from time to time
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Soon"	Mr. Soon Ao (孫傲), one of our Pre-IPO Investors

"Ms. Li"	Ms. Li Na (李娜), one of our executive Directors
"Ms. Wang"	Ms. Wang Lei (王蕾), one of our Controlling Shareholders
"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)
"NEEQ"	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"NPCSC"	the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
"Offer Price"	the final offer price per Offer Share (excluding brokerage fee of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) which will not be more than HK$1.75 per Offer Share and is expected to be not less than HK$1.25 per Offer Share, such price to be determined in the manner as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to 15,000,000 additional Offer Shares, representing 15.0% of the Shares initially available under the Global Offering at the Offer Price to cover over-allocations of the International Placing (if any) as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Parent-child Variety Show"	a parent-child variety show produced by a TV station in Beijing, in which the hosts and the relevant experts provide professional advice on parenting
"PRC government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and organs thereof or, as the context requires, any of them
"PRC Legal Advisers"	Jingtian & Gongcheng, the legal advisers to our Company as to the laws of the PRC

"Pre-IPO Investment(s)"	the investment(s) made by the Pre-IPO Investor(s), please refer to the section headed "History, Reorganisation and Corporate Structure" to this prospectus for details
"Pre-IPO Investors"	collectively, Ms. Liu Yang, Ms. Wang Zeli and Mr. Soon, of which the respective backgrounds are set out in the section headed "History, Reorganisation and Corporate Structure — Pre-IPO Investments" in this prospectus, and each shall refer to as a "Pre-IPO Investor"
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or about the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, which is expected to be on or around Tuesday, 5 November 2019, on which the Offer Price is to be fixed by agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) for the purposes of the Global Offering and, in any event, not later than Monday, 11 November 2019
"Principal Share Registrar and Transfer Office"	Walkers Corporate Limited
"Qingdao Chaoqun"	Qingdao Economic and Technological Development Zone Chaoqun Culture Co., Ltd.* (青島經濟技術開發區超群文化有限公司), a limited liability company established in the PRC on 10 December 1998 and, as at the Latest Practicable Date, was wholly-owned by Ruicheng Hexin
"Qingdao Ruicheng Chuangke"	Qingdao Ruicheng Chuangke Culture Co., Ltd.* (青島瑞誠創客文化有限公司), a limited liability company established in the PRC on 3 January 2019, and as at the Latest Practicable Date, was owned as to 55% by Qingchao Chaoqun and 45% by a company controlled by Ms. Wang, respectively
"Qingdao Ruicheng Jiaye"	Qingdao Ruicheng Jiaye Advertising Co., Ltd* (青島瑞誠嘉業廣告有限公司), a limited liability company established in the PRC on 7 December 2018 and an indirect wholly-owned subsidiary of our Company
"Regulation S"	Regulation S under the U.S. Securities Act

"Reorganisation"	the reorganisation arrangements undertaken by our Group in preparation for the Listing, which are described in more detail in the section headed "History, Reorganisation and Corporate Structure" in this prospectus
"RIF Model"	RIF Programmes Execution Effect Evaluation System (RIF欄目執行效果評估體系), our self-developed analytical model
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Ruicheng BVI"	Ruicheng Media Co., Ltd (瑞誠傳媒有限公司), a company with limited liability incorporated in the BVI on 28 January 2019 and a direct wholly-owned subsidiary of our Company
"Ruichengdemao"	Ruichengdemao Co., Ltd (瑞誠德茂有限公司), a company with limited liability incorporated in the BVI on 19 December 2018 and is owned as to approximately 83.33% by Mr. Feng Xing and 16.67% by Ms. Liu Yang, respectively
"Ruicheng Hexin"	Ruicheng Hexin (Beijing) Media Co., Ltd* (瑞誠禾信(北京)傳媒有限責任公司), a limited liability company established in the PRC on 16 November 2018, the shareholding of which is described in the section headed "History, Reorganisation and Corporate Structure — Reorganisation — Onshore reorganisation — Disposal of the Excluded Businesses" in this prospectus
"Ruicheng HK"	Ruicheng (Hong Kong) Media Co., Limited (瑞誠(香港)傳媒有限公司), a limited company incorporated in Hong Kong on 21 February 2019 and an indirect wholly-owned subsidiary of our Company
"Ruichengtianhe"	Ruichengtianhe Co., Ltd (瑞誠天禾有限公司), a company with limited liability incorporated in the BVI on 19 December 2018 and is owned as to approximately 32.17% by Ms. Wang Zeli and 67.83% by Independent Third Parties, respectively
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Kailun"	Shanghai Kailun Advertising Co., Ltd.* (上海凱倫廣告有限公司), a limited liability company established in the PRC on 17 June 2010 and an indirect wholly-owned subsidiary of our Company
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 22 October 2019, the principal terms of which are summarised in the section headed "D. Share Option Scheme" in Appendix IV to this prospectus
"Sole Sponsor"	Dongxing Securities (Hong Kong) Company Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
"Stabilising Manager"	Aristo Securities Limited, being the stabilising manager in connection with the Global Offering
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	a stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager and Yingheng pursuant to which Yingheng will agree to lend up to 15,000,000 Shares to the Stabilising Manager on the terms set forth therein
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Companies Ordinance
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tianjin Jiahe"	Tianjin Jiahe Technology Center (Limited Partnership)* (天津嘉赫科技中心(有限合伙)), a limited partnership established in the PRC
"Track Record Period"	the period comprising the three financial years ended 31 December 2018 and the four months ended 30 April 2019
"Underwriters"	collectively, the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	collectively, the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"US$", "USD" or "US dollar"	United States dollar, the lawful currency of the United States
"Wanglaoji Advertiser"	Guangzhou Pharmaceutical Seahorse Brand Consolidation Media Company Limited* (廣州醫藥海馬品牌整合傳播有限公司) and its former entities, the advertiser of the brand "Wanglaoji" (王老吉), a brand to promote a ready-to-drink herbal tea in the PRC
"**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 applicants' own name(s)
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Wuxi Ruicheng"	Wuxi Ruicheng Movie Media Co., Ltd.* (無錫瑞誠影視傳媒有限公司), a limited liability company established in the PRC on 29 July 2015 and has been duly deregistered as at the Latest Practicable Date
"Xizang Wanmei"	Xizang Wanmei Advertising Co., Ltd.* (西藏萬美廣告有限公司), a limited liability company established in the PRC on 4 September 2018 and an indirect wholly-owned subsidiary of our Company
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Yingheng"	Yingheng Co., Ltd (盈恒有限公司), a company with limited liability incorporated in the BVI on 19 December 2018 and is wholly-owned by Ms. Wang, and one of our Controlling Shareholders

"Youyi"	Youyi Co., Ltd (優壹有限公司), a company with limited liability incorporated in the BVI on 19 December 2018 and is owned as to approximately 53.38% by Ms. Wang Xin and 46.62% by Mr. Wang Pingpin, respectively
"sq.m."	square metre(s)
"%"	per cent

All dates and times refer to Hong Kong dates and time.

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

The English names of the PRC entities, the PRC laws or regulations or the PRC government authorities mentioned in this prospectus and marked with "" are translation or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*

Unless the context requires otherwise, translation of RMB into HK$ is made in this prospectus, for illustration purpose only, at the rates of RMB0.9014 = HK$1.00. No representation is made that any amount in US$, HK$ or RMB could have been or could be converted at the above rate or at any other rate or at all.

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

This glossary contains explanation of certain terms used in this prospectus in connection with our Company and our business. The terminologies and their given meanings may not correspond to the standard meanings or usage of such terms adopted in the industry.

"Ad Exchange"	a digital marketplace that enables brand owners and publishers to buy and sell advertising space, often through real time biddings. The brand owner or its agent, who pays the highest price, will get the advertising resources
"advertiser"	a person, a company or an organisation that advertises. Advertisers are generally companies which are brand owners or advertising companies controlled by the brand owners
"advertising resources providers"	ultimate advertising resources suppliers which are generally companies possessing advertising resources directly, examples of which include TV stations, owners of websites, search engines, social media platforms, and outdoor platforms
"airtime"	the time at which a television program or advertisement is broadcast
"CAGR"	compound annual growth rate
"CPC"	cost per click-through of the advertisement, a pricing model of online advertising
"CPM"	cost per mille, which means the cost per 1,000 advertisement impressions regardless of whether the advertisement is being clicked by the viewers, a pricing model of online advertising
"content marketing"	a marketing approach that involves the creation and/or sharing of materials to be placed on different media, such as TV series, variety shows and online video programmes, that does not explicitly promote a brand but is intended to stimulate interest of audience or viewer in its products or services, which is the fundamental to our advertising services relating to soft-sell TV advertisements
"display advertising"	a type of online advertising, in which the company's promotional messages appear on third party websites, apps or social media platforms through banners or other advertisement formats made of text, images, flash, video, and audio. It includes web banners, pop-up ads, floating ads, expanding ads, and trick banners

"effect advertising"	a pricing model of online advertising, that promote the brands, products or services of advertisers through attracting internet users to view or click the advertisements displayed on online platforms. Effect advertising pricing model charges the advertisers on CPM or CPC basis for effect advertising in general. An advertisement generates an "impression" when the advertisement page or content is displayed. CPM refers to the cost per 1,000 advertisement impressions. Some viewers who have seen the display will click through the advertisement. CPC refers to the cost per each click-through of the advertisement
"first-tier provincial satellite TV stations"	five leading provincial satellite TV stations in Hunan, Shanghai, Zhejiang, Jiangsu and Beijing with a total audience share of approximately 12.1% and an advertising revenue share of approximately 24.3% of China's TV stations in 2017
"gross rating point"	a standard measure for measuring the effects of advertisement. It represents the aggregate viewership from all the relevant broadcasting channels during the broadcasting period
"hard-sell advertising"	an advertising approach which is especially direct and uses insistent language, and focuses on getting a consumer to purchase a good or services in the short-term
"in-feed advertising"	a type of online advertising, that matches the form and function of the platform upon which it appears. In many cases, it manifests as either an article or video, produced by the advertiser with specific intent to promote a product or service, while matching the form and style of the platform's surroundings
"LED"	light-emitting diode, a semi-conductor light source, used for lighting and illumination in diverse applications including flashlight, mobile phones, computers, television sets, traffic lights, lamps, street lights
"prime time"	the time at which viewership is expected to be at its highest in TV broadcast
"product placement"	placement of products to be advertised in TV series or variety shows
"reach rate"	estimated number of audience who viewed the advertisements as a percentage of all TV audience or defined target audience during a given period

"real time bidding"	a server-to-server buying process that allows ad space on websites to be bought and sold on a per-impression basis. Once the brand owner or its agent's bid wins the auction, the digital advertisement is instantaneously shown on the website. By applying such technologies, the brand owners can place advertisements on websites or mobile applications through third party Ad Exchange platforms to targeted internet users which are selected according to the database relating to the users' interests, searching history, browsing history and the track of previous activities of the internet users
"search engine advertising"	a type of online advertising, where in a sponsored search, companies that wish to advertise their products or services submit product information in the form of specific keyword listings to search engines. When a consumer searches for a specific term that matches with the key words specified by the advertisers on the search engine, the advertisers' webpage appears as a sponsored link next to the organic search results. In addition, searching engine optimisation allows the advertiser to improve its website's organic search ranking in search engine results pages
"soft-sell advertising"	an advertising approach which is more subtle and indirect, and is designed to influence the consumer by inducing positive emotional responses that are associated with the advertised products or services
"subtitle advertisement"	insertion of subtitles relating to the products to be advertised in variety show
"title sponsorship"	sponsorship for the title of a TV series or a variety show
"TV"	television
"verbal slogan"	verbal slogan relating to the products to be advertised presented by the hosts or the guests of a variety show
"viewership"	the number of viewers of a certain TV channel or programme during a certain period of time presented as a percentage of total TV subscribers

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to our Group's intentions, beliefs, expectations or predictions for future event and conditions which may not occur. These forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", and "Financial Information", which are, by their nature, subject to risks and uncertainties.

In some cases, you can identify these forward-looking statements by words such as "aim", "anticipate", "believe", "continue", "consider", "could", "expect", "intend", "may", "might", "plan", "predict", "seek", "should", "will", "would" or similar expressions or their negatives. These forward-looking statements include, without limitation, statements relating to:

- our Group's business objectives, implementation plans and use of proceeds;
- the amount and nature of, potential for, future development of our Group's business;
- our Group's operation and business prospects;
- our Group's dividend policy;
- the regulatory environment of our Group's industry in general;
- the future development and trends in our Group's industry; and
- risks identified under the section headed "Risk Factors" in this prospectus.

Our Directors confirm that these forward-looking statements are made after due and careful consideration.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our Group's control. In addition, these forward-looking statements reflect our Group's current views with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed under the section headed "Risk Factors" in this prospectus.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our Group's control. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Global Offering. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial positions and prospects of our Group.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our Group; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the Global Offering; and (v) risks relating to statements in this prospectus.

RISKS RELATING TO OUR GROUP

We have concentrated customer base and the strong market positions of our major customers may limit our bargaining power when entering into contracts with these major customers.

A significant portion of revenue was derived from our major customers during the Track Record Period. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, the aggregate revenue attributable to our five largest customers in terms of revenue accounted for approximately 78.6%, 84.9%, 67.3% and 73.9% of our total revenue, respectively, and our largest customer in terms of revenue accounted for approximately 29.7%, 38.7%, 24.2% and 24.1% of our total revenue, respectively. During the Track Record Period, we did not enter into any long-term agreement with our major customers. Our contracts for advertising services were entered into on a project-by-project basis. As such, there is no assurance that we will be able to retain our major customers or that they will maintain their budget and demand of our advertising services in the future.

If there is a significant decrease in the number of projects or size of projects in terms of contract sums from our major customers, and if we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial positions and operating results would be materially and adversely affected. Besides, if any of our major customers experience any liquidity problem, it may result in delay or default in settling our payments, which in turn will have an adverse impact on our cash flows and financial positions. We cannot guarantee that we will be able to diversify our customer base by obtaining new projects from our existing and potential customers.

Moreover, as most of our major advertiser customers are key players in their respective industries in the PRC with a strong market position, we may have limited bargaining power and need to concede to certain requests made by these customers in order to maintain good relations with them. We cannot guarantee that we could have favourable terms in contracts with our major customers in the future.

Our cash flow may deteriorate due to material payment delays by our customers which may negatively affect our business, financial position and results of operations.

While our TV stations suppliers generally require us to settle payment in full before broadcasting the advertisements, we generally give credit terms to our customers ranging from three to 90 days after the execution of the advertising solutions and the receipt of broadcast confirmations and/or broadcasting reports by customers according to the contracts. As a result, there are often time lags between making payments to our suppliers and receiving payments from our customers, resulting in potential cash flow mismatch. As at 31 December 2016, 2017 and 2018 and 30 April 2019, our total trade and notes receivables were approximately RMB48.8 million, RMB69.4 million, RMB147.5 million and RMB155.5 million, respectively, while the average turnover days of trade and notes receivable was approximately 45 days, 33 days, 51 days and 68 days, respectively, in the corresponding period. We made allowance for credit losses on trade and notes receivables of nil, nil, approximately RMB2.2 million and RMB2.8 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

There is no assurance that our customers will settle their payments on time or at all. Delay or default in payments from our customers may pose difficulties for us to manage our working capital and/or adversely impact our liquidity. Our customers' settlement day will generally be affected by their internal policies. Our efforts in strengthening our trade receivable collection and management may be in vain, and we cannot assure you that we will be able to fully recover the outstanding amounts due from our customers, if at all, or that our customers will settle the amounts in a timely manner. We might have to raise funds by resorting to internal resources and/or additional banking facilities in order to meet our payment obligations in full and on time, and our cash flows and results of financial position may be materially and adversely affected.

We have concentrated supplier base and any increases in cost of the advertising resources provided by our major suppliers could materially and adversely affect our results of operations, financial position and business prospects.

We rely on our business cooperation with our major suppliers, most of which are TV stations in the PRC, for sourcing advertising resources. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, the cost of revenue related to our five largest suppliers in terms of cost of revenue accounted for approximately 80.4%, 69.2%, 47.0% and 76.0% of our total cost of revenue, respectively and the cost of revenue related to our largest supplier in terms of cost of revenue accounted for approximately 44.5%, 33.1%, 13.5% and 35.1%, respectively. During the Track Record Period, we generally did not enter into any long-term agreement with our major suppliers. Our contracts for the purchase of advertising resources were entered into on a project-by-project basis. As such, there is no assurance that we could have a stable supply of advertising resources at favourable terms from our major suppliers. If we could not maintain stable relationships with our major suppliers to satisfy our demand, or if the costs to procure advertising resources from our major suppliers increase and such increase could not be passed to our customers, our gross profit, results of operations and financial position would be materially and adversely affected.

We may experience fluctuations in the gross profit margin for our advertising services.

We have experienced fluctuations in gross profit margin for our advertising services during the Track Record Period. Our gross profit margin decreased from approximately 13.8% in 2016 to approximately 12.6% in 2017, and further decreased to approximately 12.2% in 2018. Our gross profit margin slightly increased from approximately 9.7% for the four months ended 30 April 2018 to approximately 9.9% for the four months ended 30 April 2019. There can be no assurance that we will be able to maintain the gross profit margins at a stable level. As our advertising services are primarily conducted on a project basis, our gross profit margins are affected by the service mix of our advertising services. During the Track Record Period, our Group generated revenue primarily from TV, online and outdoor advertising services. Our gross profit margins may vary for each of the services and projects attributable to our different advertising services depending on factors such as type of services provided, cost of services and pricing strategies.

In addition, our gross profit margin for our advertising business may decline to a material extent for other reasons, including change in advertisers' preference and budget, increasing competition, and changes in government policies or general economic conditions which are, to a large extent, beyond our control. Accordingly, we cannot guarantee that our gross profit margins will not fluctuate from time to time. If there is any decline in our gross profit margins in the future or if we fail to sustain a stable gross profit margin, our profitability and financial position may be adversely affected.

Our business may be affected by seasonal fluctuation in demand for our advertising services of customers in different industries.

Notwithstanding our advertising business is generally not subject to substantial seasonality changes, the results of our operations and revenue may be affected by seasonal fluctuation in demand for our advertising services from customers in different industries. Our Directors consider the demand for our advertising services from our advertiser customers relates to the consumption pattern of consumers on the advertised products or services. For example, the demand for drinks is higher in summer, and therefore the demand for our advertising services from our advertiser customers in the beverage industry will increase in this season. Besides, some of our major customers may place TV advertisements through us from the fourth quarter of the year to capture the potential business opportunities derived from the increased consumption demand of consumers before Chinese New Year. We expect such trends will continue following the Listing. However, we cannot assure you that the historical trend of seasonality of the demand from our customers will continue to the same extent, or at all. Thus, an analysis of our interim financial performance may not be indicative of our full-year results and investors should be reminded of this factor when making any comparison of our interim and annual results of operations.

We may breach the framework agreement entered into with our suppliers if we failed to purchase the minimum amount of advertising resources from the suppliers.

During the Track Record Period, we entered into framework agreements with some of our suppliers with minimum purchase requirements. Please refer to the section headed "Business — Suppliers — Agreements with our suppliers" for further details. If we are required by our suppliers to enter into framework agreements with minimum purchase amount in the future, we may be subject to the risk of breaching such agreements. The suppliers may have the power to use the deposit paid by our Group to cover the difference between the minimum required amount and the actual purchased amount. In the event that the deposit is unable to cover such difference, the suppliers may have the power to claim the remaining sum from our Group. In such case, our financial position and results of operations will be materially and adversely affected.

We recorded negative operating cash flow for the years ended 31 December 2016 and 2017 and the four months ended 30 April 2019, and negative cash flow for the years ended 31 December 2016 and 2018 and the four months ended 30 April 2019. If we continue to have negative operating cash flow in the future, our liquidity and financial position may be materially and adversely affected.

We recorded negative operating cash flow of approximately RMB40.8 million, RMB1.6 million and RMB4.8 million for the years ended 31 December 2016 and 2017 and the four months ended 30 April 2019, respectively, and negative cash flow of approximately RMB38.7 million, RMB20.4 million and RMB18.7 million for the years ended 31 December 2016 and 2018 and the four months ended 30 April 2019. We recorded negative operating cash flow in 2016 and 2017 primarily due to increase in trade and notes receivables, prepayments and other receivables, while the negative cash flow in 2018 was primarily due to payments of dividends and repayment of bank and other borrowings. We recorded negative operating cash flow for the four months ended 30 April 2019 primarily due to decrease in trade and other payables. We cannot assure you that we will be able to record positive operating cash flow or positive total cash flow in the future. Our liquidity and financial position may be materially and adversely affected should our future operating cash flow become negative, and we can give no assurance that we will have sufficient cash from other resources to fund our operations.

We depend on our Directors, senior management and other key personnel. Our business and operations may be severely disrupted and our performance may be adversely affected if we lose their services, or if we are unable to recruit additional qualified personnel as our business expands.

The success of our business depends to a large extent on the collective efforts and experience of our key personnel including our executive Directors, our senior management and the key team members of our strategy formulation department, media operation department and sales department. We believe that our ability to expand our business relies on the extensive industrial, managerial and operational experience of our key personnel. For details of the biographies of our executive Directors and senior management, please refer to the section headed "Directors and Senior Management" in this prospectus. There is no assurance that these key personnel will not leave our Group upon expiration of their respective employment contracts or terminate the employment contracts before the respective terms end. The loss of any of our key personnel could be detrimental to our ongoing operations.

Our success also depends on our ability to attract and retain quality personnel in order to sustain our existing operations as well as our future growth. According to the CIC Report, competition for senior management and quality personnel in the PRC advertising industry is intense, and the pool of qualified candidates is very limited. If we are not able to attract and retain skilled and experienced employees, our business and operations and financial performance may be materially and adversely affected.

If we fail to achieve the marketing objectives of our customer or our customers change their marketing plan or objectives, our financial performance could be adversely affected.

We offer services to serve the marketing objectives of our customers. In general, the marketing objectives of our customers will be discussed among our strategy formulation department when we are formulating a customised advertising solution for our customers. After presenting the proposal of our advertising solution to our customers, the content of the proposal and our advertising services may be fine-tuned with reference to the feedbacks from our customers. However, if our advertising services are not able to achieve the desired marketing objectives of our customers, our relationships with our customers, reputation and revenue will be adversely affected.

Changes of marketing plan or objectives of our customers may result in termination of our services or delay in their payments to us, which could have an adverse effect on our cash flow and results of operations. We cannot guarantee that we could recover all the costs incurred for providing our advertising services to our customers whose engagements were postponed or suspended. In such event, our financial performance could be adversely affected.

We rely on market data purchased from third party market research companies to analyse and formulate our advertising solutions and evaluate the effectiveness of the advertising solutions, any disruption to our access to these market data may affect our operations adversely.

Our strategy formulation department relies on market data purchased from third party market research companies, which is commonly recognised in the industry, to (i) analyse relevant market data and trend in order to tailor-make advertising solutions for our customers; and (ii) evaluate the effectiveness of our advertising solutions. Since we rely on market data purchased from third party market research companies to operate our business, any disruption to our access to the relevant market data may lead to our (i) misunderstanding of the target audience's preferences or market trend; (ii) inability to offer an advertising solution that captures the target audience's interests; and (iii) inability to evaluate the effectiveness of the advertising solutions accurately.

In addition, there is no guarantee that the market data supplied by third party market research companies are accurate. In the event that we received inaccurate market data from the third party market research companies, our ability to reach potential customers, predict the market trend and to evaluate the effectiveness of our advertising solutions may be adversely affected.

Our knowledge and expertise on TV, online and outdoor advertising services may become obsolete.

The industry standards, market practice and our customers' requirements relating to our advertising services are subject to changes. According to the CIC Report, (i) the demand for implantation of soft-sell advertisements to TV series or variety shows increased in recent years; (ii) the market for online advertising services is fast-changing and the number and types of distribution methods for online advertisements keep increasing; and (iii) the demand for outdoor advertising increased in recent years. We may need to incur significant costs in order to understand and adapt to such new advertising methods in order to avoid being eliminated by other competitors in the market. If we fail to keep pace with changing technologies and to introduce successful and well-accepted TV, online and outdoor advertising services for our existing and potential customers, we could lose our customers and market position, and our ability to generate revenue could be adversely affected.

In addition, our competitors may develop other creative advertising methods which are superior to our advertising services. In such case, our knowledge and expertise in the advertising market may become obsolete. If any of these factors materialises, our competitiveness, business, results of operations and profitability may be adversely affected.

For details of our business strategies, please refer to the section headed "Business — Business Strategies" of this prospectus.

We face risks in connection with the investments in TV series, internet dramas and movies. If we fail to manage these risks, our business, financial position and results of operations may be adversely affected.

During the Track Record Period, our Group entered into four investment agreements with producers or writers of the TV series, internet dramas or movies on a project basis. For details of our investment agreements, please refer to the section headed "Business — Investment in TV series, internet dramas and movies" of this prospectus. As at the Latest Practicable Date, one of the investment agreement was completed and some of our investment agreements are subject to risks including but not limited to (i) inability to generate sufficient revenue and profits to offset investment costs; (ii) unforeseen or hidden liabilities; and/or (iii) settlement of the investment principal amount.

Any of these risks may hamper the success of our investments. We cannot assure you that our investments on particular TV series, internet dramas or movies will be successful. As a result, we may not realise the benefits we anticipated and our business, financial position and results of operations may be adversely affected.

We face exposure to fair value change for financial assets at FVTPL and valuation uncertainty due to the use of unobservable inputs.

We had investments in TV series and internet dramas, recognised as financial assets at FVTPL in the consolidated statement of financial position of approximately RMB6.05 million as at 31 December 2018 and RMB20.45 million as at 30 April 2019. We face exposure to fair value change for the financial assets at FVTPL. We cannot assure you that we can recognise comparable fair value gains in the future and we may on the contrary recognise fair value losses, which would affect our result of operations for future periods.

In addition, the valuation of fair value change of financial assets at FVTPL are subject to uncertainties in estimations. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. As such, the financial assets at FVTPL valuation has been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these financial assets and result in significant fluctuations in profit or loss from year to year.

We may not be able to obtain additional funding on acceptable terms or at all, which may affect our ability to expand our business or meet unforeseen contingencies.

From time to time, we may require additional capital due to business and economic conditions, to take advantage of business opportunities, to expand our operations or as a result of other future developments. If our current sources of liquidity are insufficient to satisfy our cash requirements, we may seek to sell additional equity, debt securities or obtain a credit facility. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financial covenants that would restrict our operations, while the sale of additional equity securities or convertible debt securities would result in dilution of shareholding to shareholders.

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, securities of companies in our industry;
- conditions of the capital markets in which we may seek to raise funds;
- our future results of operations, financial positions and cash flows; and
- economic, political and other conditions in the PRC.

Our business operation is subject to risk of infringing third party intellectual property rights.

As the advertisements to be placed on different platforms are provided by our customers, there is no assurance that our business operations do not or will not inadvertently infringe the copyright or other intellectual property rights of third parties or become a party to such dispute. The advertisements provided by our customers to us may be subject to third party's copyright or other legal protections, and we may possibly infringe the intellectual property rights of third parties. The exact determination of the scope of copyright or other intellectual property rights can be very complex. In the event of any intellectual property rights disputes between our customers and the owners of the relevant intellectual property rights, we may become a party to such disputes. Intellectual property disputes may last for a long period of time and require considerable resources.

Furthermore, if the outcome of such dispute is adverse to us, we could be ordered to pay substantial license fees, royalties and/or damages. Any infringement of third party copyrights or other intellectual property rights or any lawsuits relating hereto could have an adverse effect on our results of operations and reputation.

Unauthorised use of our intellectual properties, including our trademarks and domain names, by third parties may adversely affect our business.

Our success depends to a certain extent on our ability to maintain an image for our brand name, trademarks and domain names as well as our ability to defend ourselves against potential infringement claims by any third party. We use our best endeavours to protect our intellectual property rights. There is no assurance that our measures are adequate or that we will always be able to identify cases of infringement such as unauthorised use of our trademarks and domain names by any other third parties. We may face considerable difficulties, time consuming and costly litigation in order to enforce our intellectual property rights. Accordingly, any case of such infringements may adversely affect our financial position and damage our brand name and reputation.

If we experience information and technological system failures, our business operations could be significantly disrupted.

Our business operations and success depend on the stable performance of our information and technological system, which we utilise to, among other things, communicate with suppliers and customers, execute and place advertisements, monitor the performance of our advertising services, and monitor the effectiveness of advertising platforms. Any system failure that affects our ability to provide services to customers could significantly reduce the attractiveness of our services to customers and reduce our revenue. Our systems are vulnerable to a variety of events, including, among others, telecommunications failures, power shortages, malicious human acts and natural disasters. In addition, any steps to increase the reliability and to avoid the redundancy of our information and technological system may not be effective and may not be successful in preventing system failures.

Successful implementation of our business strategies and future plans are subject to uncertainties.

We plan to achieve our business growth by implementing a series of strategies, such as consolidating our market position in the PRC, particularly in the TV, online and outdoor advertising services. Please refer to the sections headed "Business — Business Strategies" and "Future Plans and Use of Proceeds" in this prospectus for further details. There is no guarantee that we will be able to implement our business strategies and future plans successfully, which in turn are subject to uncertainties and changing market conditions. Our plans for development and business expansion are formulated based on assumptions on the occurrence of certain future events, which may or may not materialise. We may encounter difficulties in implementing our business strategies such as failing to further expand our online and outdoor advertising services due to intense competition from companies already established in the online and outdoor advertising markets and the new regulations in the online advertising market that we may not be familiar with. We may also not have timely access to adequate capital financing when suitable business opportunities arise. Further, there is also no assurance that any of our business strategies will yield the benefits or achieve the level of profitability we anticipate. The profit from our implemented plans may not be sufficient to justify the start-up expenses and the increased operating costs.

RISKS RELATING TO OUR INDUSTRY

We are in a highly competitive industry and may not be able to successfully compete with our competitors.

The advertising industry is a highly-fragmented one. Our Group competes primarily with our competitors or potential competitors for quality advertising service. The advertising industry in the PRC is rapidly evolving and competition can be increasingly intensified and is expected to increase significantly in the future. Increased competition may result in price reduction for the advertising services, reduced margins and loss of our market share. Our Group competes with competitors in the PRC primarily on the following bases:

- quality of advertising services;

- brand recognition;
- price;
- effectiveness of sales and marketing efforts;
- strategic relationships with customers and suppliers; and
- hiring and retention of talented staff.

Our existing and potential competitors may possess competitive advantages over us, such as longer operating history, better brand recognition, larger customer base, greater access to advertising resources and more financial, technical and marketing resources. If we fail to compete with them successfully, we could lose our customers. We also cannot assure you that our advertising services will remain competitive or that they will continue to be successful in the future. Increasing competition could result in pricing pressure and loss of our market share, either of which could have a material adverse effect on our financial positions and results of operations.

Failure to anticipate and quickly respond to evolving consumers' tastes and preferences for advertising will negatively affect our business, financial position and results of operations.

The success of our business in providing advertising services largely depends on our ability to anticipate and respond to consumers' tastes and preferences for advertising such as a significant decline in viewership. Consumers' tastes and preferences for advertising, however, may change quickly and frequently. We may not be able to anticipate and quickly respond to evolving consumes' tastes. If we are unable to adjust our advertising services to address the evolving consumers' tastes and preferences, the demand for our advertising services may decrease, as our services will be less successful in promoting our customers' business objectives and products. This hampers our ability to retain existing customers and attract new customers. Decreased demand for our advertising services will adversely affect our business, financial position and results of operations.

Our business may be affected by force majeure events that are beyond our control.

Our business may affected by force majeure events that are beyond our control. Examples of force majeure events are natural disasters and change of the policies of the PRC government such as certain topics are categorised as not complying with the policies of the PRC government. As a result, the relevant TV series or programmes may not be broadcasted which in turn would affect the advertisements we placed or implanted in those TV series or programmes. Although we have force majeure clause in the agreements with our customers to avoid liabilities arising from these events, our income would be reduced as our contract could not be completed. This could materially and adversely affect our business, financial positions and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Our business, results of operations and financial position may be affected by changes in the PRC's economic and political environment and by newly adopted PRC economic regulation policies.

All of our business, assets and operations are located in the PRC and all of our revenue is derived from our operations in the PRC. Therefore, our business, results of operations, financial position and prospect are, to a significant extent, subject to the economic conditions in the PRC. The economy of the PRC differs from the economies of the most developed countries in many aspects, including but not limited to:

- the degree of the PRC government's involvement;
- the growth rate and degree of development; and
- allocation of resources.

While the economy of the PRC has experienced significant growth over the past decade and consequently there has been high demand for advertising services, we cannot assure you that the economy of the PRC will continue to develop at its recent fast pace. A number of factors could slow down the economic development of the PRC, such as a global economic recession, a crisis in the financial market or natural disasters. During such times of economic downturn, the demand for our advertising services is likely to drop as advertising spending is generally considered to be more of a discretionary spending item. As a result, our financial position and results of operations could be materially and adversely affected.

Our advertising services are subject to various PRC laws, and any violation of these laws could result in penalties, damage our reputation and adversely affect our future business prospects.

According to Advertising Law of the PRC《中華人民共和國廣告法》, we may be liable for false or misleading information in the advertisements. Where false advertisements for products or services relating to the life and health of consumers cause damage to the consumers, we shall bear joint and several liabilities with the advertisers concerned. Where false advertisements for products or services not relating to the life and health of consumers cause damage to the consumers, in case that we design, produce, provide agency services or publish for the advertisements and we know the advertisements are false, we shall bear joint and several liabilities with the advertiser concerned. For details of the verification process conducted by our Group, please refer to the section headed "Business — Quality control" in this prospectus. Violation of these laws or regulations may result in various penalties, including confiscation of revenue and fines, and the competent PRC authority may suspend or revoke their business licenses.

In addition, civil claims may be filed against us for fraud, defamation, copyright or trademark infringement or other violations due to the nature and the content of the advertisements placed on different distribution platforms. Criminal liabilities may also be imposed if such violation constitutes a crime. Any failure to comply with such laws and regulations and any civil or criminal claims filed against us may damage our reputation and financial position, and adversely affect our business prospects.

Uncertainties regarding interpretation and enforcement of the PRC laws, rules and regulations may have a material adverse effect on us.

All of our business and operations are conducted in the PRC and we are therefore subject to the PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes, while court decisions have limited precedential value and are cited for reference only. Due to the limited number of published cases and the non-binding nature of court decisions, there are uncertainties on the interpretation and enforcement of the laws and regulations. The interpretation of the PRC laws, rules and regulations may also be influenced by changes in monetary policy and changes in the domestic, political and social conditions in the PRC. Accordingly, the outcome of dispute resolutions and/or litigation in the PRC may not be consistent or predictable.

Furthermore, the PRC legal system is partly based on government policies and certain internal rules, some of which are not published on a timely basis or at all, which may have a retrospective effect. As a result, we may not be aware of any violation of these policies and internal rules until sometime after the violation. In addition, compared to a more developed legal system, the PRC administrative and court authorities have substantially wider discretion in interpreting and implementing statutory and contractual provisions. Therefore, the outcome of administrative and court proceedings and the level of legal protection our Group is entitled to may be difficult to evaluate. These uncertainties may have a negative impact on our ability to enforce contracts, which could in turn materially and adversely affect our business and results of operations.

It may be difficult to effect service of process or to enforce foreign judgements against our Group and management.

All of our businesses, assets and operations are located in the PRC. Furthermore, the assets of our Directors are mainly located in the PRC. Therefore, investors may encounter difficulties in effecting service of process from other places outside the PRC upon us or our Directors. Moreover, it is understood that the enforcement of foreign judgements in the PRC is subject to uncertainties. A court judgement from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has signed a treaty with the PRC. However, the PRC does not sign treaties for the reciprocal recognition and enforcement of court judgements with the United States, the United Kingdom and many other countries. As a result, recognition and enforcement in the PRC of a court judgement obtained in those jurisdictions mentioned above may be difficult or impossible.

Payment of dividends is subject to restrictions under the PRC law.

As our Company is a holding company, we rely on dividend payment from our subsidiaries in the PRC for cash requirements, including service of any debts our Group may incur. Under the current PRC law, dividend may be paid only out of our PRC subsidiaries' accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. Moreover, our PRC subsidiaries are required to set aside a certain amount of their after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, in the future, if our PRC subsidiaries incur debt, the loan agreement may impose restrictions on their ability to pay dividends or make other payments to our Company. The inability of our PRC subsidiaries to distribute dividends or other payments to our Company could significantly affect the amount of capital available to apply to the development and growth of our business.

We may be considered a "PRC resident enterprise" under the EIT Law, which could result in our global income being subject to a 25.0% PRC enterprise income tax.

We are a holding company incorporated under the laws of the Cayman Islands. We conduct our business through the operating subsidiaries in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "PRC resident enterprises" and thus will generally be subject to an EIT at the rate of 25.0% on their global income. On 6 December 2007, the State Council adopted the Regulation on the Implementation of EIT Law 《中華人民共和國企業所得稅法實施條例》, amended on 23 April 2019 which defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises". Currently, all of our management is based in the PRC, and may continue to be based in the PRC in the future.

If we were considered a PRC resident enterprise, we could be subject to the EIT at the rate of 25.0% on our global income, and any dividends or gains on the sale of our Shares received by our non-resident enterprises shareholders may be subject to a withholding tax at a rate of up to 10.0%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividends paid by our PRC operating subsidiaries to us will meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. If our global income were to be taxed under the EIT Law, our financial position and results of operations would be materially and adversely affected.

The tightened scrutiny over acquisitions from the Chinese tax authorities may have a material adverse impact on our business or our acquisition or restructuring strategies.

On 3 February 2015, SAT issued Announcement on Several Issues Concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprise 《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》 ("**Circular 7**"), which replaced or supplemented certain provisions under the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises Equity Transfer Income 《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》 ("**Circular 698**"). Circular 7 provides comprehensive guidelines relating to, and tightened the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise.

There is uncertainty as to the application of Circular 7. Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries, where non-resident enterprises being the transferors were involved. Furthermore, our Company, including our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with Circular 7 or to establish that our Company and our non-resident enterprises should not be taxed under Circular 7 for our previous and future restructurings or share disposals of our offshore subsidiaries, which may have a material adverse effect on our financial position and results of operations.

Foreign exchange control by the PRC government may have a material adverse effect on your investment.

We receive all of our revenue in RMB during the Track Record Period. RMB generally cannot be freely converted into any foreign currencies. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE subject to certain procedures. Hence, our PRC subsidiaries are able to pay dividends in foreign currencies to our Company without prior approval from the SAFE by satisfying certain procedural requirements. However, there is no assurance that the foreign exchange policies regarding payment of dividends in foreign currencies will continue.

Moreover, foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to limitations and require prior approval from or registration with SAFE or its local branches. The PRC government may further implement rules and regulations in the future, which could restrict the use of foreign currency under current account and capital account in certain circumstances. These restrictions could affect our ability to obtain foreign currency through debt financing, or to obtain foreign exchange needed for our capital expenditure. The unavailability of sufficient foreign currency or an inability to transfer sufficient dividends or make other payments to us or to otherwise satisfy their foreign currency-denominated obligations would hinder our business operation or administration. Also, we may not be able to pay dividends to our Shareholders.

Fluctuation of the exchange rates may negatively affect our ability to pay dividends.

During the Track Record Period, all of our revenue was denominated in RMB. As dividends will be paid to our Shareholders in Hong Kong dollar, any appreciation of the Hong Kong dollar against RMB would have a negative effect on the amount available to us when converted into Hong Kong dollar, and would therefore reduce our dividend payments.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may cause our PRC resident Shareholders subject to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

On 4 July 2014, SAFE issued Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles《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》 ("**Circular 37**"), which states that: (i) a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local branch of SAFE before it contributes the assets of, or its equity interest into a special purpose vehicle for the purpose of investment and financing, and (ii) when the special purpose vehicle undergoes a change of basic information, such as a change of a PRC resident natural person shareholder, name or operating period, or a material event, such as a change of share capital held by a PRC resident natural person, merger of split, the PRC resident shall register such change with the local branch of SAFE timely.

On 13 February 2015, SAFE issued Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies《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 "**Circular 13**"), which states that the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment will be directly reviewed and handled by banks.

To the best of our knowledge, as of the Latest Practicable Date, all of our PRC domestic individual shareholders are required to make the foreign exchange registration under Circular 37 and Circular 13 and have completed such registration with the relevant banks. However, we may not at all times be fully aware or informed of the identities of all of our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with the requirements of Circular 37 and Circular 13. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC citizens or residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, Circular 37, Circular 13 or other related regulations. According to Circular 37 and relevant PRC foreign exchange regulations, if any of our shareholders who are required to make the foreign exchange registration and amendment fails to do so, our PRC subsidiaries may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from providing our PRC subsidiaries with loans denominated in foreign currencies of injecting additional capital into our PRC subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liabilities for such PRC subsidiaries, and the responsible persons and other person in such PRC subsidiaries who are held directly liable for the violations may be subject to administrative sanctions.

Rules and regulations in the PRC on investment and loans by offshore holding companies to PRC subsidiaries may delay or prevent us from using the proceeds from the Global Offering to make additional capital contributions or loans to our PRC subsidiaries, which could harm our liquidity and our ability to expand our business.

As an offshore holding company of our PRC operating subsidiaries, we may make loans, additional capital contributions to our PRC subsidiaries or a combination thereof. Any loans to our PRC subsidiaries are subject to PRC laws and regulations and approvals. For example, loans from us to our wholly-owned PRC subsidiaries, which are foreign-invested enterprises, to finance their activities cannot exceed the statutory limits and must be registered with SAFE or its local branches. In addition, any capital contributions to our PRC subsidiaries must be approved by, or filed with, the MOFCOM or its local branches.

There can be no assurance that, in relation to all future loans or capital contributions by us to our PRC subsidiaries, we will be able to complete all required government registrations or obtain all necessary approvals in a timely manner or at all. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds from the Global Offering may be affected, which may in turn materially and adversely affect our liquidity and our ability to fund and expand our business.

Any future natural disasters, acts of God, outbreak of any contagious disease in the PRC or any other epidemics may adversely affect our business, results of operations and financial position.

All of our assets and operations are located in the PRC. Accordingly, our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God, which are beyond our control, may adversely affect the economy, infrastructure and livelihood of people in the PRC. People in the PRC may be under threats of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics such as Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, H7N9 avian flu or H1N1 human swine flu.

Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. If in the future any of our employees or our customers in our office are suspected of having SARS, H7N9 avian flu, H5N1 avian flu or H1N1 human swine flu, or any other epidemics or any of our office are identified as a possible source of spreading such epidemics, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that had come into contact with those employees. We may also be required to disinfect the affected properties and thereby suffer a temporary suspension of our operations. Any quarantine or suspension of our operations will affect our business and results of operations. A recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H7N9 avian flu, H5N1 avian flu or the H1N1 human swine flu, may result in material disruptions to our operations and delays in meeting our customers' demand, which in turn could have a material adverse effect on our business, results of operations and financial position.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares, and the liquidity, market price and trading volume of the Shares may be volatile.

Prior to the Listing, there has been no public market for the Shares. The listing of, and the permission to deal with, the Shares on the Stock Exchange do not guarantee an active trading market following completion of the Global Offering. The determination of the indicative Offer Price range stated in this prospectus was the negotiation result between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company. As such, the Offer Price may differ significantly from the market price for our Shares following the Global Offering. Future sales of a substantial number of the Shares by our Group or its existing Shareholders after the Global Offering could adversely affect the prevailing market price of the Shares from time to time.

In addition, the liquidity, the market price and the trading volume of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business. Factors affecting the volatility of the price and the trading volume of our Shares include:

- fluctuations in our operating results, such as revenue, earnings and cash flows;
- fluctuations in market prices for services of our Group or any of our Group's comparable companies;
- changes in pricing policy adopted by us and our competitors;
- investors' perception of our Group and our business plans;
- announcements of new investments, strategic alliances by our Group;
- changes in our senior management personnel; and
- general economic factors in the PRC.

In such cases, investors may not be able to sell their Shares at or above the Offer Price.

Investors may experience dilution if we issue additional Shares in the future.

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would reduce the percentage ownership of the Shareholders and may dilute the earnings per Share and net asset value per Share.

In addition, our Group may need to raise additional funds in the future to finance expansion, investment and new development of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Any disposal of a substantial number of Shares by our Controlling Shareholders in the public market could materially and adversely affect the market price of the Shares.

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group is unable to predict the impacts, if any, of any future sales of the Shares by any of our Controlling Shareholders, on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

Possible termination of the Hong Kong Underwriting Agreements.

Prospective investors of the Global Offering should note that the Hong Kong Underwriters are entitled to terminate their obligations under the Hong Kong Underwriting Agreement by notice in writing to our Company from the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) upon the occurrence of any of the events stated in the section headed "Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offer — Hong Kong Underwriting Agreement — Grounds for termination" in this prospectus at or prior to 8:00 a.m. on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs.

Laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions.

Our corporate affairs are governed by the Memorandum, the Articles, and by the Companies Law and common law of Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. The remedies available to our Group's minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. Please refer to the section headed "Summary of Constitution of our Company and Cayman Islands Companies Law" in Appendix III to this prospectus for further information.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain facts and statistics included in this prospectus may not be relied upon.

Certain facts and statistics presented in the section headed "Industry Overview" and elsewhere in this prospectus are derived from the CIC Report compiled by CIC and other publicly available sources. We believe that the sources of these information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, the information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters or their respective directors, affiliates or advisers or any other party involved in the Global Offering and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon.

The current market condition may not be reflected in the statistical information included in this prospectus.

The historical information set out in this prospectus relating to market conditions of the PRC may not reflect the current market situation due to rapid changes in the economy of the PRC. In order to provide context to the industry in which we operate, and greater understanding of our market presence and performance, various statistics and facts have been provided throughout this prospectus. However, this information may not reflect current market condition of the PRC as recent economic development may not be fully factored into these statistics, and the availability of the latest data may lag behind of this prospectus. As such, any information relating to market shares, sizes and growth, or performance in the markets in the PRC and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results.

Forward-looking statements in this prospectus are subject to risks and uncertainties.

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "can", "continue", "consider", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Please refer to the section headed "Forward-looking Statements" in this prospectus for further details.

Such forward-looking statements reflect current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including other risk factors as described in this prospectus. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us and the Global Offering.

There may be press articles, media coverage and/or research analyst reports regarding, among others, our Group, our business, our industry, our Controlling Shareholders, our Directors and employees or the Global Offering, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the relevant publications and we do not accept any responsibility for any such press articles, media coverage and/or research analyst reports or the accuracy or completeness or reliability of any such information or publications. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

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

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that, except as otherwise permitted by the Stock Exchange at its discretion, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. In addition, Guidance Letter HKEx-GL9-09 (the "**GL9-09**") provides that a listing applicant should normally have the following arrangements for maintaining regular communication with the Stock Exchange for the purpose of its granting of a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules:

(a) the authorised representatives of the listing applicant will act as the principal channel of communication with the Stock Exchange;

(b) the authorised representatives of the listing applicant should have means for contacting all its directors promptly at all times as and when the Stock Exchange wishes to contact the directors on any matters;

(c) each director of the listing applicant who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

(d) the compliance advisor(s) of the listing applicant will act as an additional channel of communication with the Stock Exchange; and

(e) each director of the listing applicant will provide their respective mobile phone numbers, office phone numbers, email addresses and fax numbers to the Stock Exchange.

The core business and operations of our Group are primarily located, managed and conducted in the PRC. Our assets are located in the PRC. All of our executive Directors and senior management members are and will continue to be ordinarily based in the PRC and our Company considers that it would be impractical and commercially unnecessary for it to appoint executive Directors based in Hong Kong. Further, our Company does not and, in the foreseeable future, will not have sufficient management presence in Hong Kong, for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

In view of that, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the strict compliance with Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange and ensure that our Group complies with the Listing Rules at all times. The two authorised representatives are Mr. Leng Xuejun ("**Mr. Leng**"), one of our executive Directors and Mr. Lei Kin Keong ("**Mr. Lei**"). Mr. Leng and Mr. Lei are our joint company secretaries, while Mr. Lei ordinarily resides in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(b) each of the authorised representatives has means to contact all members of the Board and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, we will implement a policy that (a) each Director will have to provide their respective office phone numbers, mobile phone numbers, residential phone numbers, fax numbers and email addresses (if applicable) to the authorised representatives and his or her respective alternates; and (b) in the event that a Director expects to travel and be out of office, he/she will endeavour to provide the phone number of the place of his/her accommodation to the authorised representatives or maintain an open line of communication via his or her telephone;

(c) in addition, all Directors will provide their mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange; and

(d) furthermore, all Directors have confirmed that they possess valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable notice.

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Dongxing Securities (Hong Kong) Company Limited as our compliance adviser to act as the alternate channel of communication with the Stock Exchange for the period commencing on the date of the initial listing of the Shares of our Company on the Main Board of the Stock Exchange and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that a listing applicant must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that the company secretary of a listing applicant must be a person who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. 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 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)). In assessing "relevant experience", the Stock Exchange will consider the individual based on the following criteria: (a) length of employment with the listing applicant and/or any other listed issuers and the roles he or she played; (b) familiarity with the Listing Rules and other relevant laws and regulations including but not limited to the SFO, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code; (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. Leng Xuejun as one of our joint company secretaries. Mr. Leng joined the Group in September 2013 and is currently an executive Director of our Company and the vice chairman of the Board. He is responsible for overseeing the company secretarial matters and financial matters of our Group. Please refer to the section headed "Directors and Senior Management" in this prospectus for Mr. Leng's biography. Although our Company believes, having regard to Mr. Leng's past experience in handling administrative and corporate matters, that he has a thorough understanding of the Group and the Board, Mr. Leng does not possess the requisite qualifications as required under Rule 3.28 of the Listing Rules. Therefore, our Company has appointed Mr. Lei Kin Keong, who is a Hong Kong resident and possesses the aforementioned qualifications required under Rule 3.28 of the Listing Rules, to be a joint company secretary to assist and provide assistance to Mr. Leng. Please refer to the section headed "Directors and Senior Management — Joint Company Secretaries" in this prospectus for Mr. Lei's biography.

Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, our Company has put in place the following arrangements:

(a) Mr. Lei, one of the joint company secretaries of our Company who satisfies the requirements under Rule 3.28 of the Listing Rules, will assist Mr. Leng so as to enable him to jointly discharge his duties and responsibilities as a joint company secretary of our Company. Given Mr. Lei's relevant experiences, he will be able to advise both Mr. Leng and our Company on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(b) Mr. Leng, one of the joint company secretaries of our Company, will be assisted by Mr. Lei for a period of three years commencing from the Listing Date, which should be sufficient for him to acquire the requisite knowledge and experience as required under Rule 3.28 of the Listing Rules;

(c) our Company will ensure that Mr. Leng has access to the relevant trainings and support to enable him to familiarise himself with the Listing Rules and the duties required for a company secretary of a Hong Kong listed company, and Mr. Leng has undertaken to attend such trainings;

(d) Mr. Lei will communicate with Mr. Leng on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of our Company. Mr. Lei will work closely with, and provide assistance to Mr. Leng with a view to discharging his duties and responsibilities as a joint company secretary, including but not limited to organising the Board meetings and Shareholders' meetings; and

(e) pursuant to Rule 3.29 of the Listing Rules, Mr. Leng and Mr. Lei will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarise themselves with the requirements of the Listing Rules and other regulatory requirements of Hong Kong. Both Mr. Leng and Mr. Lei will be advised by the legal advisers of our Company as to Hong Kong law and the compliance advisor of our Company as and when appropriate and required.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under and in respect of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. Before the expiry of the initial three-year period, our Company will evaluate the qualifications and experiences of Mr. Leng. Upon the determination of our Company that no on-going assistance to Mr. Leng is necessary, our Company will liaise with and demonstrate to the Stock Exchange that, with the assistance of Mr. Lei over such three-year period, Mr. Leng has acquired the requisite knowledge and experience as prescribed of Rule 3.28 of the Listing Rules.

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 Ordinance, 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 purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

(a) the information contained in this prospectus is accurate and complete in all material respects and is not misleading or deceptive;

(b) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and

(c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are considered fair and reasonable.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus, and on the terms and subject to the conditions set out herein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus. Any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters, and any of our or their respective affiliates, directors, officers, employees, agents or representatives, or any other person or party involved in the Global Offering.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Hong Kong Public Offer. The listing of the Shares on the Main Board is sponsored by the Sole Sponsor and managed by the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Co-Managers. The Global Offering is fully underwritten by the Underwriters pursuant to the Underwriting Agreements, subject to the terms and conditions of the Underwriting Agreements and that the Offer Price will be determined by agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date. For further details on the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) by Monday, 11 November 2019, the Global Offering will not become unconditional and will lapse.

OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined in Hong Kong dollars by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date. The Offer Price will not be more than HK$1.75 per Offer Share and is expected to not be less than HK$1.25 per Offer Share. Subscribers, must pay, on application, the maximum Offer Price of HK$1.75 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$3,535.27 for one (1) board lot of 2,000 Offer Shares. For further details on the Offer Price, please refer to the section headed "Structure and Conditions of the Global Offering" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit any offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, any offer or invitation nor is it taken as an invitation or solicitation of offers in any jurisdiction or under any circumstances where such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Offer Shares will be required to confirm, or by his or her acquisition of the Offer Shares be deemed to confirm, that he or she is aware of the restrictions on the placing of the Offer Shares described in this prospectus and that he or she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedure for application for the Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

For further details on the structure and conditions of the Global Offering, please refer to the section headed "Structure and Conditions of the Global Offering" in this prospectus.

OVER-ALLOTMENT OPTION

Details of the arrangements relating to the Over-allotment Option are set out in the section headed "Underwriting" and "Structure and Conditions of the Global Offering" in this prospectus.

APPLICATION FOR LISTING ON THE MAIN BOARD

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the Loan Capitalisation and the Capitalisation Issue on the Main Board and the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Pursuant to Rule 8.08(1) of the Listing Rules, at least 25.0% of the total number of issued Shares must at all times be held by the public. A total of 100,000,000 Offer Shares, representing 25.0% of the enlarged issued Shares immediately following completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) will initially be made available under the Global Offering.

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

Save as disclosed herein, no part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, we are not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on the Main Board and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek advice from your stockbrokers or other professional advisers.

All necessary arrangements have been made for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares, you should consult your professional adviser. It is emphasised that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our Principal Share Registrar and Transfer Office, Walkers Corporate Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on the Main Board unless the Stock Exchange otherwise agrees.

All the Offer Shares will be registered on the branch register of members of our Company in Hong Kong. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or its joint Shareholders, to the first-named therein in accordance with the Articles.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. (Hong Kong time) on or around Tuesday, 12 November 2019. Shares will be traded in board lots of 2,000 Shares each. The stock code for our Shares is 1640. Our Company will not issue any temporary documents of title.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amount may have been rounded up or down. Any discrepancies in any table between the totals and the sums of amounts and percentages listed therein are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Ms. Li Na (李娜女士)	No. 1103 Building 8 Zone 3 GuangQu MenWai Dajie Chaoyang District Beijing, PRC	Chinese
Mr. Feng Xing (馮興先生)	No. 101, 70/F Xi Li, Balizhuang Chaoyang District Beijing, PRC	Chinese
Ms. Wang Xin (王欣女士)	Room 101, Unit 1 Building 2 Wanke Lanshan Zone 3 Nanmofang Road Chaoyang District Beijing, PRC	Chinese
Mr. Leng Xuejun (冷學軍先生)	Room 906, Building 13 Xinglong Jiayuan 29 Jianguo Road Chaoyang District Beijing, PRC	Chinese
Independent non-executive Directors		
Mr. Zhao Gang (趙剛先生)	Room 0701, 7/F Unit 3, Building 1 Chamao International Center Xicheng District Beijing, PRC	Chinese
Mr. Li Xue (李雪先生)	Room 601 Unit 2, Building 5 23 Xianggang East Road Qingdao, PRC	Chinese
Mr. How Sze Ming (侯思明先生)	Flat B, 59/F, Block 8 Lake Silver, 599 Sai Sha Road Ma On Shan, New Territories Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Dongxing Securities (Hong Kong) Company Limited** *a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities* Room 6805–6806A, 68/F International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	**Dongxing Securities (Hong Kong) Company Limited** *a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities* Room 6805–6806A, 68/F International Commerce Centre 1 Austin Road West Kowloon Hong Kong **Aristo Securities Limited** *a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) regulated activities* Room 101, 1st Floor On Hong Commercial Building 145 Hennessy Road, Wanchai Hong Kong

Co-Managers	**Chuenman Securities Limited** *a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) regulated activities* Office A 10/F Sang Woo Building 227–228 Gloucester Road, Wan Chai Hong Kong
	Zundiao Securities Limited *a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) regulated activities* Room 601, 6/F On Hong Commercial Building 145 Hennessy Road, Wanchai Hong Kong
Legal advisers to our Company	*As to Hong Kong law* **King & Wood Mallesons** 13/F, Gloucester Tower, The Landmark 15 Queen's Road Central Hong Kong
	As to PRC law **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Beijing PRC
	As to Cayman Islands law **Walkers (Hong Kong)** 15/F, Alexandra House 18 Chater Road Central Hong Kong

Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law* **P. C. Woo & Co.** Room 1225, 12/F Prince's Building 10 Chater Road Central Hong Kong *As to PRC law* **Shandong Yi Heng Law Firm** 13/F, Bandao International Building 182–8 Haier Road, Laoshan District Qingdao, Shandong Province PRC
Auditors and reporting accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F, One Pacific Place 88 Queensway Hong Kong
Compliance adviser	**Dongxing Securities (Hong Kong) Company Limited** *a corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities* Room 6805–6806A, 68/F International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Industry consultant	**China Insights Industry Consultancy Limited** 10F, Block B Jing'an International Center 88 Puji Road, Jing'an District Shanghai, PRC
Receiving Bank	**Standard Chartered Bank (Hong Kong) Limited** 15/F, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

Registered office	Cayman Corporate Centre 27 Hospital Road, George Town Grand Cayman KY1-9008 Cayman Islands
Headquarters and principal place of business in the PRC	Room 302, 3/F, Building C1 Phase II, Dongyi International Media Industrial Park No. 8 Gaojing Culture Park Road Chaoyang District Beijing, PRC
Principal place of business in Hong Kong	40/F, Sunlight Tower 248 Queen's Road East Wan Chai Hong Kong
Website address	**www.reach-ad.com** *(The contents of the website do not form a part of this document)*
Joint company secretaries	Mr. Leng Xuejun Mr. Lei Kin Keong *ACIS, ACS, HKICPA*
Compliance adviser	Dongxing Securities (Hong Kong) Company Limited
Authorised representatives	Mr. Leng Xuejun Mr. Lei Kin Keong *ACIS, ACS, HKICPA*
Audit committee	Mr. Li Xue *(Chairman)* Mr. Zhao Gang Mr. How Sze Ming
Remuneration committee	Mr. Zhao Gang *(Chairman)* Ms. Wang Xin Mr. How Sze Ming
Nomination committee	Ms. Li Na *(Chairlady)* Mr. Zhao Gang Mr. Li Xue

Hong Kong Branch Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712–1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Cayman Islands principal share registrar and transfer office	**Walkers Corporate Limited** Cayman Corporate Centre 27 Hospital Road, George Town Grand Cayman KY1-9008 Cayman Islands
Principal bankers	**Bank of Beijing (Zhongguancun Haidian Park Sub-branch)** 2/F, Aiqiyi Innovation Tower Haidian North 1st Street Haidian District Beijing, PRC **Agricultural Bank of China Limited (Beijing Modern City Sub-branch)** 88 Jianguo Road Chaoyang District Beijing, PRC **Fubon Huayi Bank (Tianjin Branch)** 1/F, Xindu Building 16 Weijin Road Nankai District Tianjin, PRC

The information presented in this section is, including certain facts, statistics and data, derived from the CIC Report, which was commissioned by us and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering (other than CIC) and no representation is given as to its accuracy, completeness or fairness (other than by CIC). The information and statistics may not be consistent with other information and statistics compiled within or outside of the PRC. As a result, excessive reliance on the information contained in this section shall be avoided.

SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct an analysis of, and to report on the advertising industry in the PRC for the period from 2014 to 2023. The CIC Report has been prepared by CIC independent of our influence. The fee payable to CIC for preparing the CIC Report is RMB468,000, which we believe reflects the market rate for similar services. CIC is a consulting firm founded in Hong Kong. It provides professional industry consulting services across multiple industries. CIC's services include industry consulting services, commercial due diligence and strategic consulting.

Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the CIC Report and CIC is an independent market research company with extensive experience in their profession. The information and data collected by CIC have been analysed, assessed and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analysing historical market data obtained from several publicly available data sources, such as the National Bureau of Statistics, the National Radio and Television Administration, China Broadcasting Network Corporation, China Internet Network Information Center, and China Association of Metros. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for accuracy. On the basis of the aforementioned, we consider the data and statistics to be reliable.

ASSUMPTIONS

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) the overall social, economic, and political environment in the research scope regions are expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel continued growth in the TV advertising media services market (e.g., the development of downstream industries, increasing TV broadcast time and TV subscribers, and new TV advertising forms), the online advertising media services market (e.g., larger audience base, advanced technologies, fast-developing mobile advertising and increasing popularity among advertisers), and the outdoor advertising media services market (e.g., continued digitalisation process, increasing outdoor media resources, and growing demand for entertainment and out-of-home leisure activities) in China during the forecast period; and (iii) there is no extreme force majeure or unforeseen industry regulations by which the market may be affected in either a dramatic or fundamental way.

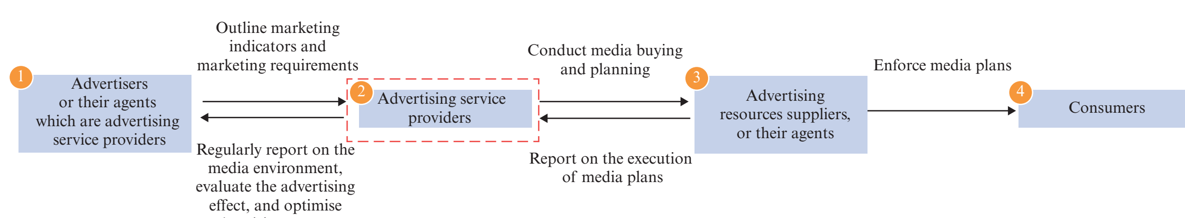
The CIC Report mainly focuses on the advertising industry in China. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the CIC Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report. Parameters used in the CIC Report include: (i) total advertisers' expenditure of the advertising market; (ii) total advertisers' expenditure of the TV advertising market; (iii) total advertisers' expenditure of the online advertising market; and (iv) total advertisers' expenditure of the outdoor advertising market.

OVERVIEW OF THE ADVERTISING INDUSTRY IN CHINA

Definition and the industry chain of the advertising industry

Advertising is a method of publicity. Through the services of the advertising agencies, an advertisement uses the media as a channel to disseminate social public welfare information or information of merchandises and services to people. Based on the varying types of advertising media, the advertising industry can be categorised into: TV advertising, online advertising, outdoor advertising, and others. Other advertising media refer to traditional printed media and radio.



The advertising industry participants include four main entities: advertisers, advertising service providers, advertising resources suppliers and consumers. Advertisers or their agents entrust advertising service providers with creating ideas and advertising content, to conduct media buying and planning, and to advertise. Advertising service providers are at the core of the advertising industry chain, acting as an important link for connecting advertisers or their agents with advertising resources suppliers or their agents and consumers.

It is not uncommon that advertisers rely on advertising service providers to source advertising resources for the promotion of their products, services or brands, due to their shortage of professional advertising talents, and lack of industry know-how on formulating and implementing advertising solutions efficiently.

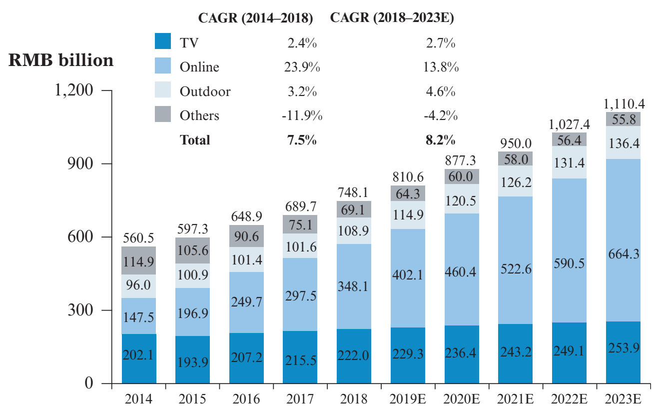
It is also not uncommon that an advertising service provider may choose to procure advertising resources and services from other advertising service providers as the latter (i) may have stronger relationship with certain advertising resources suppliers possessing particular advertising resources; (ii) can get more competitive rates from certain advertising resources suppliers; (iii) may offer unique advertising services; or (iv) may have the exclusive advertising rights given by the advertising resources suppliers.

Market size of the advertising market in China

China's advertising industry is at a stage of expansion, and has experienced a steady growth in recent years. The total size of China's advertising market, as measured by advertisers' expenditure, grew from approximately RMB560.5 billion in 2014 to approximately RMB748.1 billion in 2018, representing a CAGR of 7.5%. The market size of the advertising industry in China is projected to further expand at a CAGR of 8.2% to approximately RMB1,110.4 billion by 2023.

The advertising industry, in particular, the TV advertising media services and online advertising agent markets in China, is fragmented and highly competitive. Due to the increasing demand for multi-channel advertising, it is expected competition in the advertising industry will intensify.

Market size of the advertising market in terms of advertisers' expenditure, China, 2014–2023E



Source: CIC, State Administration for Market Regulation

Cost of advertising resources

The cost for various forms of advertising resources ranges widely depending on its nature and distribution platforms. Prices of TV advertisements correlate with specific TV channel, corresponding broadcast time and viewership. The average prices (rate card) of advertisements of first-tier provincial satellite TV stations during 8:20pm–10:00pm between Monday and Thursday range between RMB83,000 and RMB294,000 for 15 seconds in 2018. Meanwhile, the average prices (rate card) of advertisements of first-tier provincial satellite TV stations during 8:20pm–10:00pm between Friday and Sunday range between RMB150,000 and RMB400,000 for 15 seconds in 2018.

Average price (rate card) of advertisements of one first-tier provincial satellite TV station, 2014–2018

	2014	2015	2016	2017	2018
Monday-Thursday 8:20pm–10:00pm, 15 seconds (RMB)	120,000	135,000	240,000	200,000	220,000
Friday-Sunday 8:20pm–10:00pm, 15 seconds (RMB)	150,000	200,000	250,000	250,000	250,000

The prices of TV advertisements in first-tier provincial satellite TV stations during the prime time started to increase significantly between 2014 and 2016 with CAGR above 10% on average as many innovative variety shows got published and gained huge popularity among Chinese audience and advertisers. The prices of TV advertisements in first-tier provincial satellite TV stations reached the peak around 2016. The prices of TV advertisements in first-tier provincial satellite TV stations in 2017 and 2018 were comparatively lower than that in 2016 as the variety show market becoming more reasonable, stable and mature. It is expected that the prices of TV advertisements in first-tier provincial satellite TV stations will maintain at a relatively reasonable and stable level, with moderate CAGR of no more than 5% on average in the next few years.

The price of online advertisements may vary depending on their distribution platforms. Due to advertisers' growing demand for online exposure, the standard prices of in-feed advertisements, display advertisements and search engine advertisements on major online platforms increased during the past five years, and are expected to sustain a slight upward trend in the next five years, with a moderate CAGR of approximately 5.0% on average. It is not uncommon that the advertising agent of online platforms may charge customers (i.e. other advertising agents or advertisers) by packaged pricing or other pricing models (e.g., CPC, CPM, Cost per Download) different from standard pricing of the platform, on a case-by-case basis. Below we take the standard prices of one major social media platform and one major online search engine platform in China, as an example.

Standard prices of in-feed advertisements (image and text) of one major social media platform[(2)] in China, 2015–2018

	2015	2016–2018
Core cities *(RMB/CPM)*[(1)]	140	150
Key cities *(RMB/CPM)*[(1)]	90	100
Other cities *(RMB/CPM)*[(1)]	40	50

Notes:

(1) Core cities: Beijing, Shanghai; key cities: Guangzhou, Chengdu, Shenzhen, Hangzhou, Wuhan, Suzhou, Chongqing, Nanjing, Tianjin, Xi'an, Shenyang, Changsha, Qingdao, Ningbo, Zhengzhou, Dalian, Xiamen, Jinan, Harbin, Fuzhou; other cities: other cities in China.

(2) The platform started to launch in-feed advertising in 2015.

Standard prices of display advertisements (banner) of one major social media platform in China, 2014–2018

	2014–2017	2018
Core cities *(RMB/CPM)*[(1)]	25	35
Key cities *(RMB/CPM)*[(1)]	20	30
Other cities *(RMB/CPM)*[(1)]	15	25

Note:

(1) Core cities: Beijing, Shanghai; key cities: Guangzhou, Chengdu, Shenzhen, Hangzhou, Wuhan, Suzhou, Chongqing, Nanjing, Tianjin, Xi'an, Shenyang, Changsha, Qingdao, Ningbo, Zhengzhou, Dalian, Xiamen, Jinan, Harbin, Fuzhou; other cities: other cities in China.

Standard prices of search engine advertisements of one major online search engine platform in China, 2014–2018

	2014–2017	2018
Deposit fee *(RMB)*	5,000	6,000
Service fee *(RMB)*	600	1,000
Minimum CPC *(RMB)*	0.3	0.5

The price of outdoor advertisements may vary depending on their distribution platforms and locations. Specifically, the price ranges of LED screens and advertising light boxes in bus stations as of 2018 are as shown in the table below. The prices of LED screens and advertising light boxes within the industry of China increased over the past five years with a CAGR of approximately 10.0% and 5.0% on average, and are expected to grow at a moderate CAGR of approximately 5.0% and 3.0%, respectively, mostly driven by: (1) advertisers' increasing demand due to growing out-of-home entertainment and leisure activities of residents, with the consumption upgrades and change of lifestyles in China; (2) upgrades of products, e.g., more interactive, intelligent and high-definition LED screens, and digitalised advertising light boxes.

Price ranges of LED screens and advertising light boxed in bus stations in first-tier and second-tier cities[1] of China, 2018

	2018
Standing LED screen inside buildings, 15 seconds for 240 times per day *(RMB)*	1,000–5,000
LED screen on external walls of buildings, 15 seconds for 120 times per day *(RMB)*	100,000–200,000
Advertising light box in bus stations per month *(RMB)*	5,000–20,000

Note:

(1) First-tier cities refer to Beijing, Shanghai, Guangzhou and Shenzhen, and second-tier cities refer to Chengdu, Hangzhou, Chongqing, Wuhan, Suzhou, Xi'an, Tianjin, Nanjing, Zhengzhou, Changsha, Shenyang, Qingdao, Ningbo, Dongguan, Wuxi, Kunming, Dalian, Xiamen, Hefei, Foshan, Fuzhou, Harbin, Jinan, Wenzhou, Changchun, Shijiazhuang, Changzhou, Quanzhou, Nanning, Guiyang, Nanchang, Nantong, Jinhua, Xuzhou, Taiyuan, Jiaxing, Yantai, Huizhou, Baoding, Taizhou, Zhongshan, Shaoxing, Urumqi, Weifang and Lanzhou.

OVERVIEW OF THE TV ADVERTISING INDUSTRY IN CHINA

Market size of the TV advertising market in China

As one of the major segments of the advertising industry, China's TV advertising industry increased from approximately RMB202.1 billion in 2014 to approximately RMB222.0 billion in 2018, representing a CAGR of 2.4%. A slight decrease in the TV advertising market happened in 2015 mostly due to restrictions on TV series broadcasting implemented at the beginning of 2015, which negatively affected advertisers' incentives to advertise on TV. Considering the diminishing negative impact of the regulations and the stable demand of TV advertising, the market size is expected to continue to grow at a CAGR of 2.7% to approximately RMB253.9 billion in 2023.

By business, China's TV advertising industry can be categorised into two markets: (i) TV advertising design, production and other services market, and (ii) TV advertising media services market. China's TV advertising design, production and other services market is a mature and standardised industry, with the market size in terms of advertisers' expenditure increasing from approximately RMB63.6 billion in 2014 to RMB67.1 billion in 2018, and expected to decrease slightly to approximately RMB64.6 billion by 2023. On the other hand, enterprises providing TV advertising media services connect advertisers to the TV stations which own media resources, and provide planning, buying, and monitoring services for advertisers. China's TV advertising media services market increased from approximately RMB138.5 billion in 2014 to approximately RMB154.9 billion in 2018, representing a CAGR of 2.8%. The market size is expected to grow at a CAGR of 4.1% to approximately RMB189.3 billion in 2023.

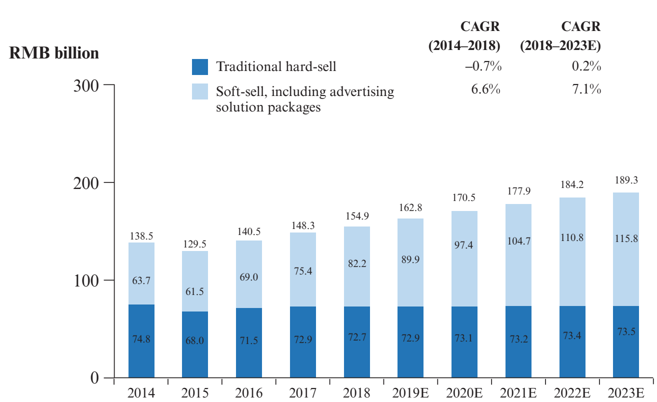
Market size of the TV advertising media services market in China

The TV advertising media services, provided by advertising service providers which connect customers and TV stations, can be further categorised by advertising form into hard-sell advertising and soft-sell advertising. The latter is usually sold as an advertising solution package combined with hard-sell advertisements. The Group is one of advertising service providers in the TV advertising media services market.

Traditional hard-sell advertising refers to an advertising approach which is especially direct and uses insistent language, and focuses on inducing a consumer to purchase a good or services in the short-term. Examples of hard-sell advertising could be advertisements during TV advertising time slots. Affected by new TV advertising forms, the advertisers' expenditure of traditional hard-sell TV advertising decreased from approximately RMB74.8 billion in 2014 to approximately RMB72.7 billion in 2018, representing a negative CAGR of 0.7% between 2014 and 2018. In the few years to come, with the quality improvement of TV programmes and growing TV subscribers, the market is expected to remain reasonably stable with a forecasted market size of approximately RMB73.5 billion in 2023.

Soft-sell advertising on the other hand, is more subtle and indirect, and is designed to influence the consumer by inducing positive emotional responses that are associated with the advertised products or services. Examples of soft-sell advertising could be product placement, title sponsorship, verbal slogan or subtitle advertisement in variety shows or TV series. Soft-sell TV advertisements are usually content-related and have gained increasing popularity among advertisers and audiences in recent years. Specifically, the advertisers' expenditure of China's soft-sell TV advertising, including the form of advertising solution packages, increased from approximately RMB63.7 billion in 2014 to approximately RMB82.2 billion in 2018, representing a CAGR of approximately 6.6% between 2014 and 2018, and is expected to further expand to approximately RMB115.8 billion by 2023, representing a CAGR of 7.1% between 2018 and 2023.

Market size of the TV advertising media services market in terms of advertisers' expenditure by advertising form, China, 2014–2023E



Source: CIC, public news on CCTV and first-tier provincial satellite TV stations' advertising revenues

Drivers of the TV advertising media services market in China

The following factors are expected to drive the growth of China's TV advertising media services market:

(i) ***Continuous development of downstream industries:*** The top five industries in terms of TV advertising spending in China in 2018 are beverage & alcohol, pharmaceuticals, home furnishing & electronics, food, and household & personal care, and the aggregate spending of those five industries on TV advertising accounted for approximately 89.4% of total TV advertising spending in China. The top five industries are expected to grow at CAGRs between 5–10% in terms of retail sales value in the next few years. The promising development trend of the above industries is expected to promote the TV advertising media services market in the future.

(ii) ***Increasing TV broadcast time and TV subscribers:*** According to the National Bureau of Statistics, and the "National Statistical Bulletin of Radio and Television Industry" published by the National Radio and Television Administration, the TV broadcast time in China increased steadily from approximately 17.5 million hours per year in 2014 to approximately 19.3 million hours per year in 2018, and is projected to reach approximately 21.4 million hours in 2023. The increase was mainly due to the Chinese government's encouragement on the broadcast of high quality TV programmes and the establishment of the intellectual property protection system, such as the release of the "Opinions on Accelerating the Construction of a Modern Public Culture Service System" (《關於加快構建現代公共文化服務體系的意見》). According to "China Cable Television Industry Development Bulletin" published by China Broadcasting Network Corporation Ltd., which was established and managed by the National Radio and Television Administration, the number of TV subscribers (or the number of TV user accounts) increased from approximately 345.6 million in 2014 to approximately 640.3 million in 2018, and is expected to reach approximately 899.7 million in 2023. The increasing number of TV subscribers is driven by the increasing coverage of TV signal in rural and remote areas, and the advancement of TV technologies such as IPTV (Internet Protocol Television), which enables audience to watch TV programmes via both LTV (linear TV, or live TV) and TSTV (time shifting TV), and thus offers more flexibility in terms of time and better user experience than traditional cable TV. IPTV means the delivery of television contents over Internet Protocol networks via TV sets, and mostly of the contents are TV programmes.

*(iii) **Emergence of new forms of advertising services:*** Besides the traditional hard-sell TV advertising, which takes continuous advertising time to broadcast, other various forms of soft-sell TV advertising have been introduced. New forms of advertising, such as soft-sell advertising which include product placement, title sponsorship, special sponsorship, corner sign advertisement, verbal slogan, and subtitle advertisement, are appealing to advertisers as more choices are offered with potentially effective audience influence. In addition, more value-added services, including advertising strategies and advertising tracking, are expected to introduce more business opportunities to advertising service providers.

Considering the ongoing trends of above factors, the expected CAGR of the TV advertising media services market between 2018 and 2023 is 4.1%.

Future trends of the TV advertising media services market in China

*(i) **Advertisers' demand for soft-sell and multi-channel advertising:*** Soft-sell advertising is especially welcomed by advertisers given its better performance, as the sales content is embedded into the programme, which makes audience less likely to switch channel which they usually do when encountering traditional hard-sell advertisements. Another trend among advertisers is their increasing demand for cross-screen (tablet, computer, mobile, TV, etc.) and multi-channel advertising to enlarge the audience base in response to emerging new media and the changing lifestyles of the millennial generation.

*(ii) **Advertisers' preferences for large advertising service providers:*** Large advertising service providers possess more industry experience and are capable to acquire more media resources and provide cross-media advertising and quality TV advertising strategies. Therefore, a trend is expected to develop that advertisers will increasingly turn to large advertising service providers.

*(iii) **Increasing quality media resources and successful programmes:*** The quality of TV advertising resources is highly dependent on the quality of TV series and variety shows. A considerable number of recently released TV series and variety shows have gained high reputation, which makes them an attractive and good quality media resource for advertisers. More quality and successful TV series and variety shows, acting as quality TV advertising media, are expected in the future.

*(iv) **Advertising service providers' shift to content marketing:*** Content marketing, based on audience preferences and the transmission of emotional resonance, is gradually becoming the mainstream in the advertising industry, and is expected to create a higher demand from advertisers. Moreover, content marketing is more profitable for advertising service providers as there is more potential for value-added services and content-related sales. In response to the higher demand and higher profit margins, advertising service providers are expected to shift their business to content marketing in the future.

COMPETITIVE LANDSCAPE OF THE TV ADVERTISING MEDIA SERVICES MARKET IN CHINA

As of 2018, there were approximately 5,000 participants in China's TV advertising media services market. The TV advertising media services market in China is fragmented, with the top 10 participants' revenue accounting for around 18.5% of the total market by revenue in 2018. With a business focus on leading provincial satellite TV stations, our Group ranked the 10th in the TV advertising media services market with revenue of RMB0.5 billion generated from TV advertising media services business in 2018, representing a market share of 0.3%.

Ranking of the TV advertising media service providers by revenue, 2018

Rank	Company name	Background	Year established	Revenue, 2018	Market share, 2018
				(RMB billion)	
1	Company A	Domestic non-SOE, listed on the Shenzhen Stock Exchange	1979	6.1	3.9%
2	Company B	Domestic non-SOE, unlisted	2008	5.8	3.7%
3	Company C	Domestic non-SOE, unlisted	2003	4.8	3.1%
4	Company D	Domestic non-SOE, unlisted	1997	3.9	2.5%
5	Company E	Multinational company headquartered in the UK, with the parent company listed on the London Stock Exchange and NASDAQ	2000	2.8	1.8%
6	Company F	Multinational company headquartered in the UK, with the parent company listed on the Euronext Paris Exchange	1992	1.8	1.2%
7	Company G	Domestic non-SOE, listed on the Shenzhen Stock Exchange	2000	1.0	0.7%
8	Company H	Domestic non-SOE, listed on the Shanghai Stock Exchange	2003	1.0	0.7%
9	Company I	Domestic non-SOE, listed on the Shanghai Stock Exchange	2005	0.9	0.6%
10	Our Group		2003	0.5	0.3%
	Subtotal			28.6	18.5%
	Others			126.3	81.5%
	Total			154.9	100.0%

Note: Revenues generated from TV station agent business sector are excluded in the ranking above. TV station agents are defined as advertising companies that sign exclusive arrangements with TV stations in order to sell all or a portion of the advertising time slots and other advertising rights to advertisers on behalf of TV stations.

Source: CIC

Entry barriers of the TV advertising media services market in China

(i) ***Stable customer base:*** Advertising service providers need to maintain good relationships with their customers, which are more likely to prevent potential unforeseen losses and therefore ensure a relatively stable business performance. Meanwhile, advertisers usually prefer to work with familiar advertising service providers as these advertising service providers tend to have more insights on the advertisers' products and marketing requirements. The lack of existing customer base poses a major barrier for new entrants intending to develop new cooperative relationships.

(ii) ***Relationship with advertising resources suppliers:*** The advertising opportunities in most of the popular TV stations have already been occupied by leading advertising service providers, and very limited resources are left for new entrants. New entrants may find it difficult to develop business relations with reputable TV stations given that reputable TV stations tend to authorise or appoint advertising service providers with good track records and strong reputations.

(iii) ***High requirement of financial resources:*** The provision of TV advertising services is considered to be a capital-intensive segment, and advertising service providers are required to make a significant upfront payment in order to secure the advertising resources. The time difference between paying fees to advertising resources suppliers and collecting sales revenue from advertisers creates potential risk of cash flow issues. New advertising service providers may not have sufficient financial capital reserved for their operation during the credit period given to the advertisers.

Key success factors of the TV advertising media services market in China

(i) ***Brand reputation and reliability:*** The reputation of advertising service providers plays a crucial role in attracting and retaining customers, especially reputable advertisers. Advertising service providers, who have established strong brand reputation over the years, tend to be more familiar with customers' advertising budgets and preferences, which in turn allows them to better manage the customers' expectation and provide services best suited to the their needs. For advertisers, they will be hesitant to cooperate with an advertising service provider who does not have strong brand reputation.

(ii) ***Relationship with leading TV stations:*** The capability to provide clients with competitive services is partially dependent on the advertising service providers' relationship with the leading TV stations. A well-maintained relationship with the leading TV stations helps the advertising service providers to (a) acquire valuable media resources at lower rates than their competitors, which in turn allows the advertising service providers to offer services to the customers at competitive prices; and (b) acquire advertising resources with great viewership which are in high demand.

(iii) ***Abundant financial resources:*** The provision of TV advertising services is considered to be a capital-intensive segment, and advertising service providers are required to make a significant upfront payment in order to secure the advertising resources, such as advertising time slots or the exclusive title sponsorship of a TV channel or programme. TV variety shows with high viewership are usually limited in quantity and charge higher prices for the advertisement implementations in China. Therefore, it is crucial for the advertising service providers to have sufficient capital for their operation in order to secure valuable TV advertising resources, especially those with high viewership.

(iv) ***High quality and customised services:*** The customer's characteristics vary a lot by industries, and even by brands. Different companies usually have different kinds of marketing demands. Thus, the ability to offer marketing strategies and implement advertising solutions that are specifically tailored for the customers is crucial.

OVERVIEW OF THE ONLINE ADVERTISING MARKET IN CHINA

Definition and market size of the online advertising market in China

Online advertising, the fastest-growing advertising segment in China, is a form of marketing which uses the internet to deliver promotional marketing messages to consumers. Based on the message delivery methods and channels, online advertising can be further categorised into search engine advertising, e-commerce advertising, display advertising, in-feed advertising and others. For search engine advertising, advertiser can buy specific keywords and website's organic search ranking that match the consumers' search results for promotional purpose. E-commerce advertisement is usually clickable and linked with relevant product page in order to drive online sales. Display advertising is an online form of advertising that appears on websites, apps, or other online platform, and its format includes banners, text, images, flash, video, and audio. In-feed advertising matches the form, style and function of the platform upon which it appears. It is shown as either an article or video.

Online advertising usually involves a publisher, who integrates advertisements into its online contents, and an advertiser or its agent, who provides the advertisements to be displayed on the publisher's content, and an advertising services provider who helps identify and place the advertisements and tracks statistics.

Effect advertising is a major pricing model of online advertising, in which the advertising agencies assist the advertisers to promote their brands, products or services through attracting internet users to view or click the advertisements displayed on online platforms. Effect advertising pricing model charges the advertisers on CPM or CPC basis. An advertisement generates an "impression" when the advertisement page or content is displayed. CPM refers to the cost per 1,000 advertisement impressions and CPC refers to the cost per each click-through of the advertisement.

China's online advertising market increased from approximately RMB147.5 billion in 2014 to approximately RMB348.1billion in 2018, representing a CAGR of 23.9%. The market size is expected to grow further at a CAGR of 13.8% to approximately RMB664.3 billion in 2023.

Market size of the online advertising media services market in China

By business, China's online advertising industry can be categorised into two markets: (i) online advertising media services market, and (ii) online advertising design, production and other services market. China's online advertising media services market, in terms of advertisers' expenditure increased from approximately RMB131.8 billion in 2014 to approximately RMB311.9 billion in 2018, representing a CAGR of 24.5%. The market size is expected to grow at a CAGR of 14.2% to approximately RMB600.8 billion in 2023.

Within China's online advertising media services market, the market sizes of in-feed advertising, search engine advertising and display advertising grew from approximately RMB7.9 billion, RMB43.5 billion and RMB39.5 billion in 2014 to approximately RMB47.9 billion, RMB71.6 billion and RMB71.3 billion in 2018, respectively, and are expected to reach approximately RMB147.2 billion, RMB90.1 billion and RMB108.1 billion in 2023, representing a CAGR of 25.2%, 4.7% and 8.7%, respectively, between 2018 and 2023. The size of other market segments, e.g., e-commerce advertising, e-mail advertising, and online classified advertising, increased from approximately RMB40.9 billion in 2014 to approximately RMB121.1 billion in 2018, and is projected to reach approximately RMB255.4 billion in 2023.

Drivers of the online advertising media services market in China

(i) ***Larger audience base:*** According to China Internet Network Information Center, which is managed by the Cyberspace Administration of China, the total number of internet users in China has increased from 648.8 million in 2014 to 829.0 million in 2018, representing a CAGR of 6.3% on number of internet users. The total number of internet users is expected to reach 1,182.2 million in 2023, representing a CAGR of 7.4%. An increasing number of internet users, online video programme audience, and e-shoppers will expand the exposure of online advertising, driving advertisers to spend more in this fast-growing advertising channel.

(ii) ***Increasing popularity among advertisers:*** Advertisers have started to realise the advantages of online advertising in recent years. Online advertising is an advertising approach which is more measurable in terms of the advertising effectiveness and performance, and easier for advertisers to target potential customers and apply advertising strategies. With the help of a sophisticated operation and evaluation system, online advertising service providers are expected to provide more cost-efficient, targeted, and satisfying advertising services. Therefore, the online advertising has gradually gained popularity among advertisers, and is expected to facilitate the growth of the industry.

(iii) ***Advanced technologies:*** Technologies developed rapidly in the online advertising market in recent years, which has increased the precision rate of marketing. The real time bidding has given new life to traditional online advertising. Real time bidding is the placement of advertisements through third party online media exchange platforms and database operators to targeted internet users which are selected according to the database relating to the users' interests, searching history, browsing history and the track of previous activities. Once the advertiser or its agent's bid wins the auction, the digital advertisement is instantaneously shown on the website. By applying such technologies, the advertisers have a better understanding of their customers including the demographical data, location information, browser history, which in turn increases the accuracy of the marketing solutions.

(iv) ***Fast-developing mobile advertising:*** The continuous rise in the number of mobile phones and the development of high-speed mobile network have created a solid foundation for the rapid development of mobile advertising. With the increasingly affordability of mobile phones, mobile internet users have increased significantly in China, reaching over 0.8 billion by the end of 2018 according to China Internet Network Information Center. The continued development of mobile devices and expanded access to the internet have both helped facilitate the development of the mobile advertising market, which is a fast-growing segment of the online advertising industry in China.

Future trends of the online advertising media services market in China

(i) ***Expansion of programmatic advertising buying:*** First, the programmatic advertising uses software and technology to match supply with demand, and to automate the advertising buying and selling process with the speed and scale that humans cannot achieve manually. Second, the programmatic advertising offers advertisers the ability to incorporate big data, sometimes from multiple sources, to serve users with advertisements that are more likely to be relevant based on psychographic, demographic and behavioural signals.

(ii) ***Increasing popularity of in-feed advertising:*** It is expected that more advertisers will allocate their marketing budgets to in-feed marketing. In-feed advertising is typically more audience-focused than traditional advertising by connecting itself with the original contents that the audience are currently consuming, and therefore creates an active connection between the advertiser and the audience, which leads to a higher acceptance rate and can generate higher return-on-investment for the advertisers.

COMPETITIVE LANDSCAPE OF THE ONLINE ADVERTISING MEDIA SERVICES MARKET IN CHINA

As of 2018, there were over 5,000 online advertising media service providers. The online advertising media services market in China is highly competitive. The aggregate revenue in 2018 of the top five online advertising media services providers were approximately RMB62.6 billion and accounted for approximately 20.1%, while the largest online advertising media services provider generated revenue of approximately RMB15.0 billion and accounted for approximately 4.8% of the online advertising media services market by revenue in 2018. The Company accounted for approximately 0.6% of the online advertising media services market by revenue in 2018.

Entry barriers of the online advertising media services market in China

(i) ***In-depth Industry knowledge:*** The revenue generation models of online advertising platforms are far more complicated than traditional marketing approaches. Besides, online advertising service providers will develop tools that measure quantitative advertising results, such as the number of consumer views, particularly for display advertising. In addition, the rapidly evolving nature of the internet industry is also challenging for the new entrants as the prospective online advertising service providers must stay up-to-date with the latest digital medium and tactics used to reach consumers. For new entrants, who usually lack the essential operation knowledge of the market, it would be challenging to compete with existing market participants.

(ii) ***Strong brand awareness:*** In general, the advertisers prefer to work with familiar online advertising service providers as these advertising service providers have proven track records with consistent reliable services, and tend to have more insights on the advertisers' products and marketing requirements. A new online service provider needs to persuade the advertisers of the value of its services. Unless the new entrant is able to provide unique service at competitive price, the switching intention of the advertisers is usually low.

(iii) ***Relationship with the leading online advertising resources suppliers:*** The online advertising media resources industry is highly concentrated. As of 2018, the leading online advertising resources suppliers, namely Baidu.com, Alibaba, Tencent, Toutiao.com and their subsidiaries, accounted for over 80% of the total online traffic. Dominant online advertising resources suppliers have access to the most information on past user behaviours and personal preferences of individual users, which in turn allows them to provide better advertising results to the advertisers. Nevertheless, the advertising opportunities in most of the leading online advertising resources suppliers have already been occupied by leading online advertising service providers, and very limited resources are left for new entrants.

Key success factors of the online advertising media services market in China

(i) ***Technology advantages:*** Online advertising service providers who are equipped with cutting-edge technologies such as data analytics and data tracking will gain more competitive advantages in the market. Precision marketing is based on users' behaviour database, including the demographic information, the browsing history and the track of other previous activities. With direct access to target customers through continuously improved technologies such as big data, online advertising service providers are able to deliver and show appropriate advertisements in an effective and efficient way.

(ii) ***Capabilities of content marketing and multi-channel solutions:*** Quality content is the key to attract audience's attention, and advertising providers tend to help design and optimise the content and immersive experience of the advertisement to make it more memorable to consumers in order to improve the advertising performance. Thus, a leading online advertising services provider needs to possess comprehensive capabilities in content marketing, which largely depends on the ability of an advertising service provider to attract and retain quality personnel. In addition, with the increasing demand for multi-channel advertising, online advertising services providers tend to offer integrated multi-channel sales and full-package advertising services. For example, advertising services providers may help an advertiser place the advertisement in a programme both on TV channels and online video platforms, which delivers the brand and product information to both TV viewers and online viewers in an effective and influential way.

OVERVIEW OF THE OUTDOOR ADVERTISING MARKET IN CHINA

Definition and market size of the outdoor advertising market in China

Outdoor advertising can be categorised by format into digital outdoor advertising and traditional (printed) outdoor advertising. It can also be categorised by location, such as vehicles, transportation hubs, outdoor public space, cinemas, buildings, and brochures. Outdoor advertising usually has a lower cost but is restricted to places or time. China's outdoor advertising market has experienced a steady growth in recent years, increasing from approximately RMB96.0 billion in 2014 to approximately RMB108.9 billion in 2018, with a CAGR of 3.2%. The outdoor advertising market is expected to continue to grow at a CAGR of 4.6% from 2018 to 2023, and to reach approximately RMB136.4 billion in 2023.

Market size of the outdoor advertising media services market in China

By business, China's outdoor advertising industry can be categorised into two markets: (i) outdoor advertising media services market, and (ii) outdoor advertising design, production and other services market. China's outdoor advertising media services market, in terms of advertisers' expenditure increased from approximately RMB58.0 billion in 2014 to approximately RMB66.9 billion in 2018, representing a CAGR of 3.6%. The market size is expected to grow at a CAGR of 6.0% to approximately RMB89.7 billion in 2023.

Drivers and future trends of the outdoor advertising media services market in China

(i) ***Continued digitalisation process:*** The digital outdoor advertising has gained its popularity due to several advantages, including the better advertising display effect, capability of rolling display of multiple advertisements, and the potential interactive functions. The continued digitalisation process of outdoor advertising is therefore expected to promote the overall outdoor advertising industry in the near future.

(ii) ***Increasing outdoor media resources:*** The infrastructure development, including the construction of highways, railways, airports, and metros, as well as the commercial area, including shopping malls and CBDs, together introduce more public place for advertisements. For example, according to China Association of Metros, which is managed by the National Development and Reform Commission, the number of cities with subways increased from 22 in 2014 to 35 in 2018. Meanwhile, the length of subway in China increased from 2,073 kilometres to approximately 4,354 kilometres during the same period of time.

(iii) ***Growing demand for entertainment and out-of-home leisure activities:*** Along with better economy, consumption upgrades, and also change of lifestyles, urban residents in China have had more leisure out-of-home activities like dining out, shopping, travel, and watching movies. The increasing leisure activities are therefore expected to increase the human traffic in public space, especially transportation hubs and shopping malls. More traffic is expected to promote the outdoor advertising market in China by introducing more potential outdoor advertisement audience.

COMPETITIVE LANDSCAPE OF THE OUTDOOR ADVERTISING MEDIA SERVICES MARKET IN CHINA

As of 2018, there were approximately 400,000 outdoor advertising media services providers. The outdoor advertising media services market in China is highly competitive. The aggregate revenue in 2018 of the top five outdoor advertising media services providers were approximately RMB24.5 billion and accounted for approximately 36.6%, while the largest outdoor advertising media services provider generated revenue of approximately RMB14.6 billion and accounted for approximately 21.8% of the outdoor advertising media services market by revenue in 2018. The Company accounted for approximately 0.1% of the outdoor advertising media services market by revenue in 2018.

Entry barriers and key success factors of the outdoor advertising media services market in China

(i) ***Access to valuable outdoor advertising resources:*** As major market participants in the outdoor advertising industry have developed a long-term and stable relationship with owners of outdoor advertising space, such as airports, subways and commercial buildings, and occupied more favourable media resources, new market entrants may have difficulty in obtaining advertising space in superior locations and in forming media networks across multiple cities to compete with existing market participants.

(ii) ***Technology capability:*** Existing major market participants have rich experience in applications of latest technologies such as digital outdoor advertising tools, interactive outdoor advertising formulation tools, and Augmented Reality technology, allowing them to provide more attractive and effective outdoor advertising solutions.

(iii) ***Access to large advertisers:*** Most of the existing large brands and advertisers have already established stable relationships with major outdoor advertising agents, and new market entrants may have difficulty competing for the occupied market share.

A summary of the main PRC laws, rules and regulations applicable to our current business and operations is set out below.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT IN THE PRC

Guidance Catalogue for Foreign Investment

Guidance on foreign investment in different industries in the PRC can be found in the Foreign Investment Industrial Guidance Catalogue《外商投資產業指導目錄》jointly issued by NDRC and MOFCOM on 28 June 2017 and became effective on 28 July 2017 (the "**2017 Catalogue**") and the Special Management Measures (Negative list) for the Access of Foreign Investment (2018 Version)《外商投資准入特別管理措施(負面清單)(2018年版)》 issued by NDRC and MOFCOM on 28 June 2018 and became effective on 28 July 2018 (the "**2018 Negative List**"). On 30 June 2019, NDRC and MOFCOM jointly issued the Special Management Measures (Negative List) for the Access of Foreign Investment (2019 Version)《外商投資准入特別管理措施(負面清單)(2019年版)》 (the "**2019 Negative List**") and the Catalogue of Industries for Encouraged Foreign Investment (2019 Version) 《鼓勵外商投資產業目錄 (2019年版)》(the "**2019 Catalogue**"), both of which came into force on 30 July 2019 and the 2018 Negative List and the 2017 Catalogue was repealed stimultaneously. According to the 2019 Catalogue and the 2019 Negative List, our PRC subsidiaries do not engage in any restricted industries or prohibited industries for foreign investment.

Administration of the Establishment and Change of Wholly Foreign-Owned Enterprises

According to the Law of the PRC on Wholly Foreign-Owned Enterprises《中華人民共和國外資企業法》(the "**Wholly Foreign-Owned Enterprises Law**"), which was amended by NPCSC on 3 September 2016, for a wholly foreign-owned enterprise which the special entry administrative measures do not apply to, its establishment, operation duration and extension, separation, merger or other major changes shall be subjected to the record-filing management. The special entry administrative measures stipulated by the state shall be promulgated by or approved for promulgated by the State Council.

The Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises《外商投資企業設立及變更備案管理暫行辦法》(the "**Record-filing Interim Administrative Measures**"), which was promulgated by MOFCOM on 8 October 2016 and subsequently amended on 30 July 2017 and 30 June 2018, stipulates that the record-filing formality, instead of approving formality, shall apply to the establishment and change of foreign-invested enterprises which are not subject to special entry administrative measures stipulated by the state. The foreign-invested enterprises shall fill out and submit online application for record-filing of the changes of foreign-invested enterprises and other relevant documents through the comprehensive management system within 30 days after the change occurs. Where a non-foreign-invested enterprise changes into a foreign-invested enterprise due to acquisition, consolidation by merger or otherwise, which is subject to record-filing as stipulated in the Record-filing Interim Administrative Measures, it shall submit online filing information for the establishment of foreign-invested enterprise together with the alteration registration to the administration department of the industry and commerce.

Foreign Investment Law

The Foreign Investment Law of the PRC《中華人民共和國外商投資法》(the "**Foreign Investment Law**") was adopted by the National People's Congress of the PRC on 15 March 2019, which shall come into effect as of 1 January 2020. Under the Foreign Investment Law, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment. Pre-establishment national treatment refers to the treatment given to foreign investors and their investments during the investment access stage, which is not lower than that given to their domestic counterparts; negative list refers to special administrative measures for the access of foreign investment in specific fields as stipulated by the state. The state shall give national treatment to foreign investment beyond the negative list. Foreign investors shall not invest in any field forbidden by the negative list for access of foreign investment. For any field restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list. Fields not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated uniformly.

The Foreign Investment Law will come into effect as of 1 January 2020 and the Law of the PRC on Sino-Foreign Equity Joint Ventures《中華人民共和國中外合資經營企業法》, the Wholly Foreign-Owned Enterprises Law and the Law of the PRC on Sino-Foreign Cooperative Joint Ventures《中華人民共和國中外合作經營企業法》shall be repealed simultaneously, and foreign-funded enterprises which were established in accordance with such laws before the implementation of the Foreign Investment Law may retain their original organisation forms and other aspects for five years upon the implementation hereof.

LAWS AND REGULATIONS RELATING TO ADVERTISING INDUSTRY

Advertising Law

According to Advertising Law of the PRC《中華人民共和國廣告法》(the "**Advertising Law**"), which was promulgated by NPCSC on 27 October 1994 and amended on 1 September 2015 and 26 October 2018, the term "advertisers" refers to any individuals, legal persons or other organisations that, directly or through certain agents, design, produce and publish advertisements for the purpose of promoting products or providing services. The term "advertising agents" refers to any individuals, legal persons or other organisations that are commissioned to provide advertising design, production or agency services. The term "advertising publishers" refers to any individuals, legal persons or other organisations that publish advertisements for the advertisers or for the advertising agents commissioned by the advertisers. Advertisements shall not contain any false or misleading information, and shall not deceive or mislead consumers. Advertising agents shall, in accordance with the law and administrative regulations, inspect and verify the relevant certification documents, and check the advertising contents. For any advertisement with inconsistent content or incomplete certification documents, advertising agents shall not provide design, production or agent service. Where an advertising agent fails to provide the true name, address, and valid contact information of the advertiser(s), the consumers may require the advertising agent 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 for such advertisements shall bear joint and several liabilities with the advertisers concerned. Where false advertisements for products or services other than that set out before cause damage to the consumers, in case that the advertising agents for such advertisements still design, produce, provide agency or publish for the advertisements even though they know or should know the advertisements are false, they shall bear joint and several liabilities with the advertiser concerned. According to the Advertising Law, if advertising agents know or should have known the content of the advertisements are false but still provide advertising design, production or agent services in connection with the advertisements, they might be subject to penalties, including confiscation of revenue and fines, and the competent PRC authority may suspend or revoke their business licenses. Advertisements for medical treatment, pharmaceuticals, medical devices, agricultural pesticides, veterinary medicines and healthcare food, and other advertisements required to be reviewed by laws and administrative regulations shall be reviewed by the relevant authorities before they are published. No such advertisement shall be published without being reviewed.

Internet Advertising

According to the Advertising Law, the use of internet to publish or distribute advertisements shall not affect the normal use of the internet by users. Advertisements published on internet pages such as pop-up advertisements shall be indicated with conspicuous mark for close to ensure the close of such advertisements by one click.

According to the Interim Measures for the Administration of Internet Advertising《互聯網廣告管理暫行辦法》(the "**Internet Advertisement Measures**"), which was promulgated by SAIC on 4 July 2016 and became effective on 1 September 2016, advertisements published or distributed via the internet shall not interfere with users' normal use of the internet. Following activities are prohibited under the Internet Advertisement Measures: (i) providing or using applications and hardware to block, filter, skip over, tamper with, or cover up lawful advertisements provided by others; (ii) using network access, network equipment and applications to disrupt the normal transmission of lawful advertisements provided by others or adding or uploading advertisements without permission; or (iii) harming the interests of others by using fake statistics or traffic data.

Outdoor Advertising

According to the Advertising Law, the exhibition and display of outdoor advertisements may not: (i) utilise traffic safety facilities and traffic signs; (ii) impede the use of public facilities, traffic safety facilities and traffic signs; (iii) obstruct commercial production and public activities or damage the urban area landscape; (iv) be placed in restricted areas near government offices, cultural landmarks or historical or scenic sites or be placed in areas prohibited by local governments at the county level or above from having outdoor advertisements. Administrative measures for outdoor advertisements shall be provided for by local regulations and rules of local governments.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

According to the EIT Law, which was promulgated by NPCSC on 16 March 2007 and became effective on 1 January 2008 and subsequently amended on 24 February 2017 and 29 December 2018, and the Implementation Rules to the EIT Law《中華人民共和國企業所得稅法實施條例》(the "**Implementation Rules**"), which was promulgated by State Council on 6 December 2007 and became effective on 1 January 2008 and amended on 23 April 2019 and became effective on the same day, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25.0%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25.0%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10.0%.

According to Notice on Issuing Certain Provisions of Preferential Policies for Attracting Investment in the Tibet Autonomous Region (for trial implementation)《西藏自治區人民政府關於印發西藏自治區招商引資優惠政策若干規定(試行)的通知》, which was promulgated by the people's government of Tibet Autonomous Region on 15 June 2018 and came into effect on the same day, all types of enterprises registered in Tibet and having production and operation entities and engaged in encouraged industries in the western region and whose main business income accounts for more than 70.0% of the total income of enterprises shall be subject to the enterprise income tax rate of 15.0% from 1 January 2018 to 31 December 2020.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC《中華人民共和國增值稅暫行條例》(the "**VAT Regulations**"), which was promulgated by State Council on 13 December 1993 and subsequently amended on 10 November 2008, 6 February 2016 and 19 November 2017, and its implementation rules《中華人民共和國增值稅暫行條例實施細則》, which were amended by the Ministry of Finance of the PRC (中華人民共和國財政部) on 28 October 2011 and became effective on 1 November 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services, sale of services, intangible assets, real property or importation of goods within the territory of the PRC shall pay value-added tax. Unless provided otherwise, taxpayers that sell services or intangible assets shall be subject to a 6.0% tax rate.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

Under the Company Law of PRC《中華人民共和國公司法》which was amended by NPCSC on 26 October 2018, the Wholly Foreign-Owned Enterprises Law, foreign-invested enterprises may not distribute after-tax profits unless they have contributed to the funds as required by PRC laws and regulations and have set off financial losses of previous accounting years.

According to the EIT Law, the Implementation Rules and the Circular of the State Administration of Taxation on Releasing the Schedule of Negotiated Tax Rates for Dividends (國家稅務總局關於下發協定股息稅率情況一覽表的通知), which was promulgated by SAT on 29 January 2008 and became effective on the same day, dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC government provide otherwise.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》 (the "**Arrangement**") on 21 August 2006. According to the Arrangement, the withholding tax rate on dividends paid by a PRC company to a Hong Kong resident is 5.0%, provided that such Hong Kong resident directly holds at least 25.0% of the equity interests in the PRC company, and 10.0% if the Hong Kong resident holds less than 25.0% of the equity interests in the PRC company, respectively.

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

According to the Administrative Measures for Non-resident Taxpayers' Enjoyment of the Treatment under Tax Agreements《非居民納稅人享受稅收協定待遇管理辦法》(the "**Administrative Measures**"), which was promulgated by SAT on 27 August 2015 and became effective on 1 November 2015 and was amended by Announcement of the SAT on Amending Certain Taxation Regulatory Documents (國家稅務總局關於修改部分稅收規範性文件的公告) on 15 June 2018, any non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

LAWS AND REGULATIONS RELATING TO LABOUR

Employment Contracts

The Labour Contract Law of the PRC《中華人民共和國勞動合同法》(the "**Labour Contract Law**"), which was promulgated by NPCSC on 29 June 2007 and became effective on 1 January 2008 and whose amendments made on 28 December 2012 and became effective on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labour Contract Law stipulates that employment contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

Employee Social Insurance and Housing Provident Funds

Under applicable PRC laws and regulations, including the Social Insurance Law of The PRC《中華人民共和國社會保險法》, which was promulgated by NPCSC on 28 October 2010 and subsequently amended on 29 December 2018 and became effective on 29 December 2018, and the Regulations on the Administration of Housing Provident Fund《住房公積金管理條例》, which was amended by State Council on 24 March 2002 and 24 March 2019, employers and/or employees (as the case may be) are required to contribute to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE REGISTRATION

Under applicable PRC laws and regulations, including Circular 37 and Circular 13, which was promulgated by SAFE on 13 February 2015 and became effective on 1 June 2015, (i) the SAFE and its branches carry out registration management for domestic residents' establishment of Special Purpose Vehicle (the "**SPV**"); (ii) the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment have been already directly reviewed and handled by banks in accordance with the Circular 13 and the Guidelines for Direct Investment-related Foreign Exchange Business《直接投資外匯業務操作指引》, the SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via banks; (iii) a domestic resident may choose at its own will, before contributing the domestic and overseas lawful assets or interests to a SPV, any bank at its place of incorporation to handle the direct investment-related foreign exchange registration, and may handle the follow-up business including opening of direct investment-related account and funds transfer (including the outward or inward remittance of profits and dividends) only upon completion of the direct investment-related foreign exchange registration; and (iv) when the overseas SPV's basic information, such as domestic individual resident shareholder, name, operating period, or major events, such as domestic individual resident capital increase, capital reduction, share transfer or exchange, merger or division has changed, the foreign exchange change registration of overseas investments shall be timely finished in the relevant bank.

LAWS AND REGULATIONS RELATING TO MERGERS AND ACQUISITIONS BY FOREIGN INVESTORS

The Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors《關於外國投資者併購境內企業的規定》(the "**M&A Provisions**") was promulgated by MOFCOM, the State Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), SAT, SAIC, CSRC and SAFE on 8 August 2006, became effective on 8 September 2006 and amended on 22 June 2009 by MOFCOM. Under the M&A Provisions, the following scenarios qualify as an acquisition of a domestic enterprise by a foreign investor:

- a foreign investor purchases by agreement the equity interests of a domestic enterprise without foreign investment or subscribes for the increased capital of a domestic enterprise without foreign investment, and thus converts the domestic enterprise without foreign investment into a foreign-invested enterprise;

- a foreign investor establishes a foreign-invested enterprise and use such foreign-invested enterprise to purchase by agreement the assets of a domestic enterprise and operates such assets; or

- a foreign investor purchases by agreement the assets of a domestic enterprise and then contributes such assets as capital to the establishment of a foreign-invested enterprise and operates such assets.

LAWS AND REGULATIONS RELATING TO SECURITY REVIEW SYSTEM FOR MERGERS AND ACQUISITIONS OF DOMESTIC ENTERPRISES

Pursuant to the Circular of the General Office of the State Council on the Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》, which was promulgated on 3 February 2011 and became effective on 4 March 2011, and the Provisions of MOFCOM on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors《商務部實施外國投資者併購境內企業安全審查制度的規定》, which was promulgated on 25 August 2011 and became effective on 1 September 2011, where foreign investors initiate mergers and acquisitions of domestic military industrial enterprises and supportive military industrial enterprises, enterprises surrounding major and sensitive military facilities, and other entities relating to the national defense security; mergers and acquisitions of domestic enterprises relating to important agricultural products, important energies and resources, important infrastructural facilities, important transportation services, key technologies, manufacturing of major equipment and other business related to the national security, which may result in the actual controlling power of foreign investors over those acquired domestic enterprises, the foreign investors shall apply to MOFCOM for the security review of the concerned mergers and acquisitions. Whether a foreign investor' mergers and acquisitions of a domestic enterprise falls under the scope of mergers and acquisitions security review or not shall be determined in terms of the substance and actual influence of the mergers and acquisitions transaction. No foreign investors may substantially evade mergers and acquisitions security review under any circumstances, including but not limited to by way of holding on behalf of others, trust, multi-level reinvestment, leasing, loans, variable interest entities, or overseas transactions.

INTELLECTUAL PROPERTY LAWS AND REGULATIONS

China has adopted legislations related to intellectual property rights, including trademarks, patents and copyrights. China is a signatory party to major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, the Madrid Agreement on the International Registration of Marks and Madrid Protocol, the Patent Cooperation Treaty, the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, and the Agreement on Trade-Related Aspects of Intellectual Property Rights ("**TRIPs**").

Regulations on Trademarks

The Trademark Law of the PRC《中華人民共和國商標法》 (the "**Trademark Law**") was promulgated in August 1982 and amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019, respectively, and the Implementation Regulations on the Trademark Law of the PRC《中華人民共和國商標法實施條例》were promulgated on 3 August 2002 by State Council and were amended on 29 April 2014. These laws and regulations provide the basic legal framework for the regulations of trademarks in China. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks. The Trademark Office under SAIC is responsible for the registration and administration of trademarks throughout the country. Trademarks are granted on a term of ten years. Twelve months prior to the expiration of the ten-year term, an applicant can renew the application and reapply for trademark protection.

Under the Trademark Law, any of the following acts may be regarded as an infringement of the exclusive right to use of a registered trademark:

- use of a trademark that is identical with or similar to a registered trademark on the same or similar kind of commodities without the authorisation of the trademark registrant;
- sale of commodities infringing upon the exclusive right to use the registered trademark;
- counterfeiting or making, without authorisation, representations of a registered trademark, or sale of such representation of a registered trademark;
- replacing the trademark and reselling the products without the consent of the registrant of the replaced trademark;
- providing conveniences to help others to infringe the exclusive rights to use the registered trademark on purpose; and
- creating other damages to others' exclusive rights to use the registered trademarks.

Violation of the Trademark Law may result in the imposition of fines, confiscation and destruction of the infringing commodities. Trademark licensing agreements must be filed with the Trademark Office under SAIC or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Regulations on Copyrights

According to the Copyright Law of the PRC《中華人民共和國著作權法》, which was promulgated by NPCSC on 26 February 2010 and became effective on 1 April 2010, Chinese citizens, legal persons or other organisations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software.

Regulations on Domain Names

According to Administrative Measures for Internet Domain Names《互聯網域名管理辦法》, which was promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and became effective on 1 November 2017, efforts to undertake internet domain name services as well as the operation, maintenance, supervision and administration thereof and other relevant activities within the territory of the PRC shall be made in compliance with the Administrative Measures for Internet Domain Names. The Measures on Domain Names Dispute Resolution《中國互聯網絡信息中心域名爭議解決辦法》were promulgated by the Chinese Internet Network Infrastructure Centre and became effective on 1 September 2014. These measures require domain name disputes to be submitted to institutions recognised by the Chinese Internet Network Information Centre for resolution.

OVERVIEW

Our Company was incorporated on 15 January 2019 in the Cayman Islands and, as part of our Reorganisation, became the holding company of our Group with our business being conducted through our subsidiaries. Our history can be traced back to 2003 when Beijing Ruicheng, a company principally engaged in the advertising business, was established in April 2003 by Ms. Wang, Ms. Li and Mr. Gong Bing, an Independent Third Party. In 2002, Ms. Wang and Ms. Li started operating an advertising business in Qingdao. In 2003, with a view of leveraging the geographical advantage of Beijing, being the capital of the PRC, Ms. Wang and Ms. Li shifted the business focus from Qingdao to Beijing.

On 17 June 2004, due to personal financial consideration, Mr. Gong Bing transferred his then entire equity interest in Beijing Ruicheng to an Independent Third Party. Subsequently, Beijing Ruicheng was listed on the NEEQ in August 2016 and was delisted from the NEEQ in October 2018 in preparation for the Listing. Throughout the Track Record Period, our shareholding structure has remained stable with Ms. Wang's control over our operating subsidiaries.

Ms. Wang has over 16 years of experience in the advertising industry. Prior to the establishment of our Group in April 2003, Ms. Wang worked as a sales manager in a hotel in Qingdao from April 1998 to June 2002, where she was mainly responsible for marketing matters. She worked as a salesperson in a company in Shandong principally engaged in the sales of electric home appliances from August 1994 to March 1998, where she was mainly responsible for marketing matters. Since the incorporation of Beijing Ruicheng in April 2003 to June 2004, Ms. Wang has been its executive director. Ms. Wang resigned as the executive director in June 2004 and she has since then assumed the role of an investor and shareholder in Beijing Ruicheng. Ms. Wang graduated from the Shandong Economics University in the PRC with an associate's degree in international trades in July 1994.

For information about the background of Ms. Li, please refer to the section headed "Directors and Senior Management" in this prospectus.

OUR MAJOR BUSINESS MILESTONES

Set out below are the major milestones in our business development:

Year	**Business development milestones**
2003	Beijing Ruicheng was founded in Beijing, the PRC
2004	We commenced our business relationship with a customer, being the advertiser of a leading home appliances manufacturer in the PRC (headquartered in Qingdao)
2007	We commenced our business relationship with Wanglaoji Advertiser
2008	We commenced our business relationship with a customer, being the advertiser of a leading kitchen appliances manufacturer in the PRC (headquartered in Ningbo)
2014	We were awarded the "Main Advertising Award of 2014 Great Wall Awards of China: Golden Partner" (2014中國廣告長城獎廣告主獎 — 金夥伴獎) by the China Advertising Association (中國廣告協會)
2016	The shares of Beijing Ruicheng were listed on the NEEQ in August
2017	We commenced our business relationship with a customer, being one of the top three leading telecommunications services providers in the PRC
2018	We were awarded the "ADMEN International Awards: Practice Case in Category of Digital Marketing Gold Award" (ADMEN國際大獎 — 整合營銷實戰金案獎) by ADMEN International Awards Committee

OUR CORPORATE HISTORY

1. Our Company

On 15 January 2019, our Company was incorporated as an exempted company in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each.

For details of further changes in the shareholding structure of our Company since its incorporation, please refer to the paragraph headed "Reorganisation" in this section.

2. The Major Subsidiaries

Set out below are the information of our major subsidiaries:

Beijing Ruicheng

Beijing Ruicheng has been an indirect wholly-owned subsidiary of our Company since the completion of the Reorganisation. It was established as a company with limited liability in the PRC on 9 April 2003 by Ms. Wang, Ms. Li and Mr. Gong Bing, a businessman who is an Independent Third Party. It had a registered capital of RMB500,000, in which 60.0%, 20.0% and 20.0% was contributed by Ms. Wang, Ms. Li and Mr. Gong Bing, respectively. Due to personal financial consideration, on 17 June 2004, Mr. Gong Bing transferred his then entire equity interest in Beijing Ruicheng to an Independent Third Party at a consideration of RMB100,000, which was determined based on commercial negotiations.

Subsequent to a series of equity transfers and capital injections, as at 10 February 2010, Beijing Ruicheng was owned as to 84.0% by Ms. Wang and 16.0% by Ms. Li, respectively.

On 17 March 2011, the registered capital of Beijing Ruicheng was increased to RMB70.0 million, in which 12.0% was contributed by Ms. Wang, approximately 2.3% was contributed by Ms. Li, and approximately 85.7% was contributed by Tonghua Longteng Advertising Co., Ltd* (通化龍騰廣告有限責任公司) ("**Tonghua Longteng**"), a company whose equity interest was held on trust by family members of Ms. Wang and Ms. Li on behalf of themselves, respectively. Such trust arrangement was entered into for the administrative convenience brought by it, and was terminated in July 2011 when Tonghua Longteng transferred its then entire equity interest in Beijing Ruicheng back to Ms. Wang and Ms. Li. Our PRC Legal Advisers has confirmed that the trust arrangement does not violate any applicable laws or regulations in the PRC.

Subsequent to a series of equity transfers and capital injections, as at the beginning of the Track Record Period, Beijing Ruicheng had a registered capital of RMB80.0 million. It was respectively owned as to approximately 54.98% by Ms. Wang, 15.00% by Ms. Li, 4.25% by Mr. Wang Pingpin (brother of Ms. Wang and Ms. Wang Xin), 4.00% by Tianjin Jiahe, 1.88% by Mr. Feng Xing, 1.88% by Ms. Lin Zi, 0.94% by Ms. Wang Xin, 0.06% by Mr. Leng Xuejun and 17.01% by other Independent Third Parties.

Listing on and delisting from the NEEQ

In view of the listing on the NEEQ, on 15 March 2016, pursuant to a shareholders' resolution, Beijing Ruicheng was transformed into a joint stock company with limited liability in the PRC. On 2 August 2016, Beijing Ruicheng was listed on the NEEQ under the stock code of 838285 and with a registered capital of RMB80.0 million. Subsequently, Beijing Ruicheng was delisted from the NEEQ on 9 October 2018. Upon the delisting, Beijing Ruicheng's registered capital remained to be RMB80.0 million. As confirmed by our PRC Legal Advisers, the delisting of Beijing Ruicheng from the NEEQ was duly completed and the necessary approvals have been obtained. Based on the closing share price of Beijing Ruicheng of RMB1.7 on the last day when it was listed on the NEEQ, its market capitalisation was approximately RMB136.0 million.

Our Directors confirmed that (i) during the period in which the shares of Beijing Ruicheng were listed on the NEEQ, Beijing Ruicheng, its subsidiaries and directors were not involved in any breach or suspected breach of the applicable rules or regulations of the NEEQ in all material aspects; and (ii) there has not been any matter that need to be brought to the attention of the regulators and investors in Hong Kong in respect of Beijing Ruicheng's listing on the NEEQ. Our PRC Legal Advisers are of the view that during the period in which the shares of Beijing Ruicheng were listed on the NEEQ, (i) Beijing Ruicheng and its subsidiaries had complied with the applicable rules and regulations of the NEEQ in all material aspects; and (ii) to the best of their knowledge, none of the directors of Beijing Ruicheng was involved in any material breach or suspected breach of the applicable rules or regulations of the NEEQ. Based on the views of our PRC Legal Advisers and the due diligence work conducted by the Sole Sponsor, the Sole Sponsor concurs with the above Directors' view.

Reasons for delisting from the NEEQ and seeking the Listing on the Stock Exchange

Having considered the following factors:

(i) the NEEQ is a market in the PRC open to qualified investors only, including (a) PRC corporate or partnership enterprise investors with paid-up capital of more than RMB5.0 million; (b) PRC natural persons with average daily financial assets within the latest 10 trading days over RMB5.0 million and are experienced in investment for more than two years; and (c) qualified PRC and foreign institutional investors, such as securities companies, asset management companies, banks and insurers. In addition, the NEEQ adopts a market maker, negotiated transfer or investor competing transfer trading mechanism rather than continuous auction mechanism, which significantly limits investor discovery and order execution. Currently, it has a low trading volume, making it difficult to identify and establish the fair value of our Company. The low trading volume also inhibits our ability to publicly raise funds, in equity or debt, to continuously support our business growth, and execute substantial on-market disposals by Shareholders to realise value;

(ii) the Listing will be in the interests of our Group's future business development strategies, and would be beneficial to us and our Shareholders as a whole given the Stock Exchange, as a leading player of the international financial markets, could offer us direct access to the international capital markets, enhance our fund-raising capabilities and channels and broaden our Shareholders base. Accordingly, the Listing would provide us a viable source of capital to support our business growth;

(iii) the Listing on the Stock Exchange will further raise our business profile and thus, enhance our ability to attract new customers, business partners and strategic investors as well as to recruit, motivate and retain key management personnel for our Group's business; and

(iv) a dual listing on both the Stock Exchange and the NEEQ would impose extra administrative, accounting and financial burden on us,

our Directors believe it is in the best interests of our Company and Shareholders to delist Beijing Ruicheng from the NEEQ and to apply for the Listing in Hong Kong.

The table below sets forth the shareholding structure of Beijing Ruicheng immediately after its delisting on the NEEQ:

Shareholder	**Number of shares in Beijing Ruicheng held**	**Approximate %**
Ms. Wang	43,980,000	54.98
Ms. Li	10,000,000	12.50
Tianjin Runshengfu Technology Center (Limited Partnership)* 天津潤升富科技中心(有限合夥)("**Tianjin Runshengfu**")[(1)]	6,170,750	7.71
Mr. Wang Pingpin	3,200,000	4.00
Tianjin Jiahe[(2)]	2,840,000	3.55
Mr. Feng Xing	2,000,000	2.50
Ms. Lin Zi	1,125,000	1.41
Ms. Wang Xin	750,000	0.94
Mr. Leng Xuejun	250,000	0.31
Dunhua Fengxingyuan Ecology and Agricultural Technology Co., Ltd* (敦化市豐興源生態農業科技有限公司) ("**Dunhua Fengxingyuan**")[(3)]	1,500,000	1.88
Others[(4)]	8,184,250	10.22
	80,000,000	100.00

Notes:

(1) Tianjin Runshengfu was an investment holding company owned by Independent Third Parties. In view of our plan to delist Beijing Ruicheng from the NEEQ and apply for listing on the Stock Exchange, the shareholders of Tianjin Runshengfu would like to exit and realise their investments in Beijing Ruicheng. Therefore, Tianjin Runshengfu, through its connections, looked for investors and identified Ms. Wang Zeli who was interested in participating in our Company's plan to apply for listing on the Stock Exchange. As a result and in contemplation of the Listing, Tianjin Runshengfu disposed of all its shares in Beijing Ruicheng, among which 2,300,000 shares in Beijing Ruicheng were transferred to Ms. Wang Zeli on 22 October 2018. To the best knowledge, information and belief of our Directors, Tianjin Runshengfu had no business or other relationship with Ms. Wang Zeli prior to the above share transfer and Tianjin Runshengfu is independent from Ms. Wang Zeli. For more information regarding Ms. Wang Zeli, please refer to the paragraph headed "Pre-IPO Investments" in this section.

(2) Tianjin Jiahe was owned as to approximately 54.93% by Mr. Feng Xing, 10.74% by Ms. Wang Xin, 0.35% by Beijing Ruicheng Chuangshi Public Relations Consultation Co., Ltd.* (北京瑞誠創世公關顧問有限公司), formerly known as Beijing Ruicheng Chuangtou Commercial Operation Management Co., Ltd* (北京瑞誠創投商業運營管理有限公司) which was owned as to 80% by Ms. Wang and 20% by Mr. Wang Pingpin. The remaining shareholding of approximately 33.98% was owned by the then employees of Beijing Ruicheng and Independent Third Parties.

(3) Dunhua Fengxingyuan was owned by an Independent Third Party.

(4) These include primarily the then employees of Beijing Ruicheng and other Independent Third Parties.

As a result of the Reorganisation, Beijing Ruicheng became our indirect wholly-owned subsidiary. Beijing Ruicheng is principally engaged in the advertising business in the PRC.

Shanghai Kailun

Shanghai Kailun has been an indirect wholly-owned subsidiary of our Company since the completion of the Reorganisation. It was established as a company with limited liability in the PRC on 17 June 2010 by Ms. Wang and Ms. Li with a registered capital of RMB500,000, in which 84% was contributed by Ms. Wang and 16% was contributed by Ms. Li, respectively. On 11 July 2012, the registered capital of Shanghai Kailun was increased to RMB5.0 million, in which 75% was contributed by Ms. Wang and 25% was contributed by Ms. Li, respectively.

On 5 August 2015, each of Ms. Wang and Ms. Li entered into a sale and purchase agreement pursuant to which they transferred their then entire equity interest in Shanghai Kailun to Beijing Ruicheng at a consideration of approximately RMB3.7 million and RMB1.3 million, respectively. Such consideration was determined based on their respective contribution in Shanghai Kailun. Subsequent to such transfers, Shanghai Kailun became a direct wholly-owned subsidiary of Beijing Ruicheng.

Shanghai Kailun is principally engaged in the advertising business in the PRC.

Xizang Wanmei

Xizang Wanmei has been an indirect wholly-owned subsidiary of our Company since the completion of the Reorganisation. It was established as a company with limited liability in the PRC on 4 September 2018 with a registered capital of RMB5.0 million, which was contributed by Beijing Ruicheng.

Xizang Wanmei is principally engaged in the advertising business in the PRC.

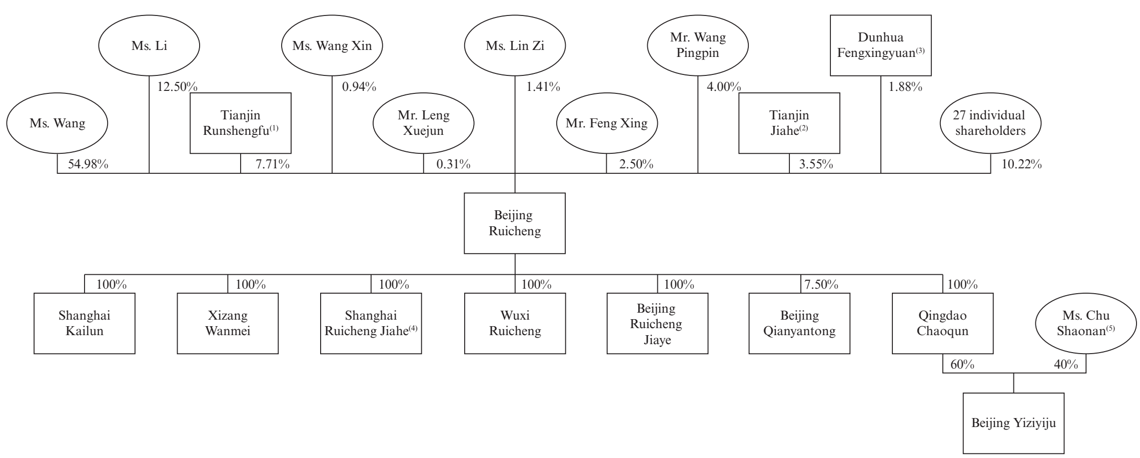
Beijing Lingyu

Beijing Lingyu has been an indirect subsidiary of our Company since the completion of the Reorganisation. It was established as a company with limited liability in the PRC on 29 October 2018 with a registered capital of RMB1.0 million, in which 88.0% was contributed by Beijing Ruicheng, 7.0% was contributed by Mr. Feng Xing and 5.0% was contributed by Ms. Lin Zi.

Beijing Lingyu is principally engaged in the advertising business in the PRC.

REORGANISATION

Set out below is the shareholding and corporate structure of our Group immediately prior to the implementation of the Reorganisation:



Notes:

(1) Tianjin Runshengfu was an investment holding company owned by Independent Third Parties. In view of our plan to delist Beijing Ruicheng from the NEEQ and apply for listing on the Stock Exchange, the shareholders of Tianjin Runshengfu would like to exit and realise their investments in Beijing Ruicheng. Therefore, Tianjin Runshengfu, through its connections, looked for investors and identified Ms. Wang Zeli who was interested in participating in our Company's plan to apply for listing on the Stock Exchange. As a result and in contemplation of the Listing, Tianjin Runshengfu disposed of all its shares in Beijing Ruicheng, among which 2,300,000 shares in Beijing Ruicheng were transferred to Ms. Wang Zeli on 22 October 2018. To the best knowledge, information and belief of our Directors, Tianjin Runshengfu had no business or other relationship with Ms. Wang Zeli prior to the above share transfer and Tianjin Runshengfu is independent from Ms. Wang Zeli. For more information regarding Ms. Wang Zeli, please refer to the paragraph headed "Pre-IPO Investments" in this section.

(2) Tianjin Jiahe was owned as to approximately 54.93% by Mr. Feng Xing, 10.74% by Ms. Wang Xin, 0.35% by Beijing Ruicheng Chuangshi Public Relations Consultation Co., Ltd.* (北京瑞誠創世公關顧問有限公司), formerly known as Beijing Ruicheng Chuangtou Commercial Operation Management Co., Ltd* (北京瑞誠創投商業運營管理有限公司) which was owned as to 80% by Ms. Wang and 20% by Mr. Wang Pingpin. The remaining shareholding of approximately 33.98% was owned by the then employees of Beijing Ruicheng and other Independent Third Parties.

(3) Dunhua Fengxingyuan was owned by an Independent Third Party.

(4) Shanghai Ruicheng Jiahe Culture Media Co., Ltd.* (上海瑞誠嘉赫文化傳媒有限公司) ("**Shanghai Ruicheng Jiahe**") had no substantial business and was deregistered on 15 February 2019.

(5) Ms. Chu Shaonan is an Independent Third Party.

In preparation for the Listing, our Company underwent the Reorganisation which involved the following steps:

Offshore Reorganisation

Incorporation of offshore holding companies

On 19 December 2018, each of Jing Gen, Haohuan, Henghe, Yingheng, Jujia, Ruichengtianhe, Youyi, Chengyunruicheng and Ruichengdemao was incorporated as a limited liability company under the laws of BVI, each with an authorised capital of USD5 divided into 50,000 shares of par value of USD0.0001 each. The business of each of them is investment holding.

Incorporation of our Company, allotment and issue of Shares to offshore holding companies

On 15 January 2019, our Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of par value of HK$0.01 each. On the same day, 1 subscriber Share was allotted and issued to the initial subscriber (who is an Independent Third Party). On 25 January 2019, 402,099, 69,875, 54,450, 4,398,800, 1,000,000, 715,000, 686,775, 273,000 and 480,000 Shares were allotted and issued to each of Jing Gen, Haohuan, Henghe, Yingheng, Jujia, Ruichengtianhe, Youyi, Chengyunruicheng and Ruichengdemao, respectively. On the same day, the subscriber Share was transferred to Jing Gen by the initial subscriber. Upon completion of such allotment, issuance and transfer of Shares, our Company was owned as to approximately 4.98%, 0.86%, 0.67%, 54.44%, 12.38%, 8.85%, 8.50%, 3.38% and 5.94% by the abovementioned Shareholders, respectively.

Incorporation of offshore subsidiaries

On 28 January 2019, Ruicheng BVI was incorporated as a limited liability company under the laws of BVI with an authorised share capital of USD5 divided into 50,000 shares of par value of USD0.0001 each. The business of Ruicheng BVI is investment holding. On the same day, 100 shares in Ruicheng BVI was allotted and issued to our Company at par value. After such allotment, Ruicheng BVI was wholly owned by our Company.

On 21 February 2019, Ruicheng HK was incorporated as a company with limited liability under the laws of Hong Kong. The business of Ruicheng HK is investment holding. On the same day, 100 shares in Ruicheng HK was allotted and issued to Ruicheng BVI. After such allotment, Ruicheng HK was wholly owned by Ruicheng BVI.

Allotment and issuance of Shares to Hengrui

On 21 March 2019, Hengrui, a company incorporated under the laws of BVI which is wholly owned by Mr. Soon, subscribed for 80,800 Shares at an investment amount of RMB2.0 million (or a foreign currency of an equivalent amount). After the subsequent allotment and issuance of Shares to Hengrui, our Company was owned as to approximately 4.93%, 0.86%, 0.67%, 53.90%, 12.25%, 8.76%, 8.42%, 3.34%, 5.88% and 0.99% by Jing Gen, Haohuan, Henghe, Yingheng, Jujia, Ruichengtianhe, Youyi, Chengyunruicheng, Ruichengdemao and Hengrui, respectively. Please refer to the paragraph headed "Pre-IPO Investments" in this section for more details of Hengrui and Mr. Soon.

Onshore Reorganisation

Restructuring of shareholding interests in Beijing Ruicheng

Following the delisting of Beijing Ruicheng from the NEEQ, for the purpose of restructuring our shareholding interests, a series of share transfers were conducted, including the transfer of 2,300,000 shares in Beijing Ruicheng from Tianjin Runshengfu to Ms. Wang Zeli on 22 October 2018 at a consideration of RMB2,829,000, the details of which are included in the paragraph headed "Pre-IPO Investments" in this section. Subsequent to the shareholding restructuring, Beijing Ruicheng was owned as to approximately 54.98% by Ms. Wang, 12.50% by Ms. Li, 4.00% by Mr. Wang Pingpin, 3.05% by Mr. Feng Xing, 0.94% by Ms. Lin Zi, 4.15% by Ms. Wang Xin, 2.64% by Mr. Leng Xuejun, 2.88% by Ms. Wang Zeli and 14.86% by its then shareholders, which consisted of the employees of Beijing Ruicheng and other Independent Third Parties, respectively.

Conversion from joint stock company with limited liability to a limited liability company

In preparation for the Listing, Beijing Ruicheng passed a shareholders' resolution on 23 October 2018 to approve, among others, the conversion of Beijing Ruicheng from a joint stock company with limited liability to a limited liability company. The relevant registration procedure in respect of such conversion was completed with relevant industrial and commercial administration authority on 9 November 2018. After such conversion, Beijing Ruicheng became a limited liability company.

Capital increase

On 28 November 2018, Ms. Liu Yang agreed to subscribe for 0.99% of equity interest in Beijing Ruicheng at an injection amount of RMB984,000. On 6 December 2018, the registered capital of Beijing Ruicheng was further increased to RMB80.8 million. For more details in relation to the background of Ms. Liu Yang, please refer to the paragraph headed "Pre-IPO Investments" in this section.

Incorporation of Qingdao Ruicheng Jiaye

On 7 December 2018, Qingdao Ruicheng Jiaye was incorporated as a company with limited liability in the PRC with a registered capital of RMB2.0 million by Ms. Wang, Ms. Li, Mr. Feng Xing, Ms. Wang Xin, Mr. Leng Xuejun, Ms. Lin Zi, Ms. Wang Zeli, Ms. Liu Yang, Mr. Wang Pingpin and the then ultimate beneficial shareholders of Beijing Ruicheng, and was owned as to approximately 54.44%, 12.38%, 4.95%, 4.54%, 2.61%, 0.93%, 2.85%, 0.99%, 3.96% and 12.35% by them, respectively.

Disposal of the Excluded Businesses

Ruicheng Hexin, a company incorporated on 16 November 2018 with registered capital of RMB2.0 million by Ms. Wang, Ms. Li, Mr. Feng Xing, Ms. Wang Xin, Mr. Leng Xuejun, Ms. Lin Zi, Ms. Wang Zeli, Ms. Liu Yang, Mr. Wang Pingpin and the then ultimate beneficial shareholders of Beijing Ruicheng, and was owned as to approximately 54.44%, 12.38%, 4.95%, 4.54%, 2.61%, 0.93%, 2.85%, 0.99%, 3.96% and 12.35% by them, respectively, entered into a series of equity transfer agreements with Beijing Ruicheng, under which Ruicheng Hexin as purchaser agreed to purchase, and Beijing Ruicheng as vendor agreed to sell, the entire investment in Beijing Ruicheng Jiaye, Qingdao Chaoqun, Wuxi Ruicheng and its then entire equity interest (being 7.5% of the equity interest) in Beijing Qianyantong each at a respective consideration of RMB1, RMB1, nil and RMB1 on 26 November 2018, 13 December 2018, 24 December 2018 and 28 December 2018, respectively. The relevant registration procedure in respect of the transfers were completed with the relevant industrial and commercial administration authority on 28 November 2018, 28 December 2018, 29 December 2018 and 25 January 2019, respectively. After such transfers, Beijing Ruicheng Jiaye, Qingdao Chaoqun and Wuxi Ruicheng ceased to be wholly-owned subsidiaries of Beijing Ruicheng and Beijing Ruicheng ceased to own any equity interest in Beijing Qianyantong. For more details of the aforementioned disposal, please refer to the section headed "Relationship with Controlling Shareholders — Excluded Businesses" in this prospectus.

Acquisition of 1% equity interest in Qingdao Ruicheng Jiaye by Mr. Soon

On 25 December 2018, Mr. Soon and Ms. Wang entered into a sale and purchase agreement, under which Mr. Soon as purchaser agreed to purchase, and Ms. Wang as vendor agreed to sell, 1% equity interest in Qingdao Ruicheng Jiaye at a consideration of RMB20,000, which was determined with reference to the valuation of the net assets of Qingdao Ruicheng Jiaye as at 24 December 2018. The relevant registration procedure in respect of such transfer was completed with the relevant industrial and commercial administration authority on 3 January 2019. After such transfer, Qingdao Ruicheng Jiaye became a sino-foreign joint enterprise.

Demerger of Beijing Ruicheng

On 21 December 2018, the then shareholders of Beijing Ruicheng passed a shareholders' resolution to approve, among others, the demerger of Beijing Ruicheng into two companies, namely Beijing Ruicheng and Beijing Yuehe. Following the demerger, on 15 February 2019, the registered capital of Beijing Ruicheng was reduced from RMB80.8 million to RMB79.992 million while Beijing Yuehe was established on 2 April 2019 with a registered capital of RMB0.808 million. Beijing Yuehe has the same shareholding structure as Beijing Ruicheng right after the demerger. As a result of the demerger, assets in the amount of approximately RMB2.3 million and liabilities in the amount of approximately RMB0.98 million were allocated from Beijing Ruicheng to Beijing Yuehe, which were based on the carrying amount of assets and liabilities in the management accounts of Beijing Ruicheng as at 30 November 2018. The main purpose of the demerger is to exclude a residential property from our Group which was not used in our operations and to streamline our business operations in preparation for the Listing. The administrative procedures of the transfer of the title of the aforementioned residential property to Beijing Yuehe has not been completed as at the Latest Practicable Date. As confirmed by our PRC Legal Advisers, there is no material legal impediment to complete the said transfer of title.

Acquisition of the entire equity interest in Beijing Ruicheng by Qingdao Ruicheng Jiaye

On 19 March 2019, Qingdao Ruicheng Jiaye and the then shareholders of Beijing Ruicheng entered into a series of equity transfer agreements, under which Qingdao Ruicheng Jiaye as purchaser agreed to purchase, and the then shareholders of Beijing Ruicheng as vendors agreed to sell, the entire equity interest in Beijing Ruicheng at a consideration of RMB2.0 million which was determined based on commercial negotiations for the purpose of the Reorganisation. The relevant registration procedure in respect of such transfer was completed with the relevant industrial and commercial administration authority on 27 March 2019. After such transfer, Beijing Ruicheng became a wholly-owned subsidiary of Qingdao Ruicheng Jiaye.

Onshore-offshore linkage

On 1 March 2019, Ruicheng HK and the then shareholders of Qingdao Ruicheng Jiaye entered into an equity transfer agreement, under which Ruicheng HK as purchaser agreed to purchase, and the Then Shareholders of Qingdao Ruicheng Jiaye as vendors agreed to sell, the entire equity interest in Qingdao Ruicheng Jiaye to Ruicheng HK at an aggregate consideration of RMB2.0 million, which was determined based on the registered capital of Qingdao Ruicheng Jiaye of RMB2.0 million. The relevant registration procedure in respect of such transfer was completed with the relevant industrial and commercial administration authority on 7 March 2019. After such transfer, Qingdao Ruicheng Jiaye became a wholly foreign owned enterprise and is wholly owned by Ruicheng HK.

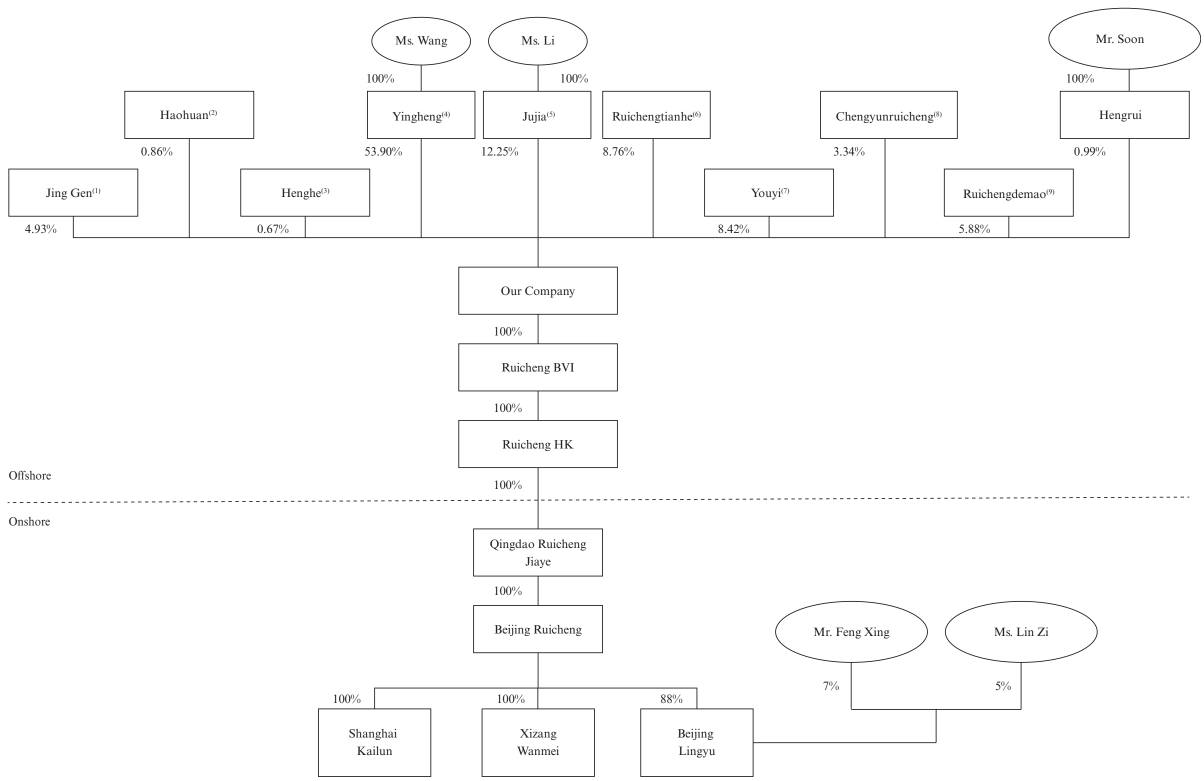
Loan Capitalisation and Capitalisation Issue

Pursuant to the written resolutions of our Shareholders passed on 22 October 2019 and subject to the conditions set out therein, the loan owed to Ms. Wang in an aggregate sum of RMB1,777,000 shall be capitalised and settled in full by the issuance of 1 new Share to Yingheng at the instruction of Ms. Wang.

Our Directors were authorised to allot and issue a total of 291,839,199 Shares credited as fully paid at par to our Shareholders whose names appear on the register of members of our Company at close of business on 22 October 2019 in proportion to their respective shareholdings by way of capitalisation of the sum of HK$2,918,391.99 standing to the credit of the share premium account of our Company. The Shares to be allotted and issued pursuant to the Loan Capitalisation and the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares.

CORPORATE STRUCTURE

Set out below is the corporate and shareholding structure after completion of the Reorganisation and before the Global Offering:



Notes:

1. Jing Gen is owned as to approximately 52.43%, 18.65%, 21.96% and 6.96% by Mr. Leng Xuejun, Ms. Lin Zi, employees of Beijing Ruicheng and an Independent Third Party, respectively.

2. Haohuan is owned by the employees of Beijing Ruicheng.

3. Henghe is owned by the employees of Beijing Ruicheng.

4. Yingheng is wholly owned by Ms. Wang.

5. Jujia is wholly owned by Ms. Li.

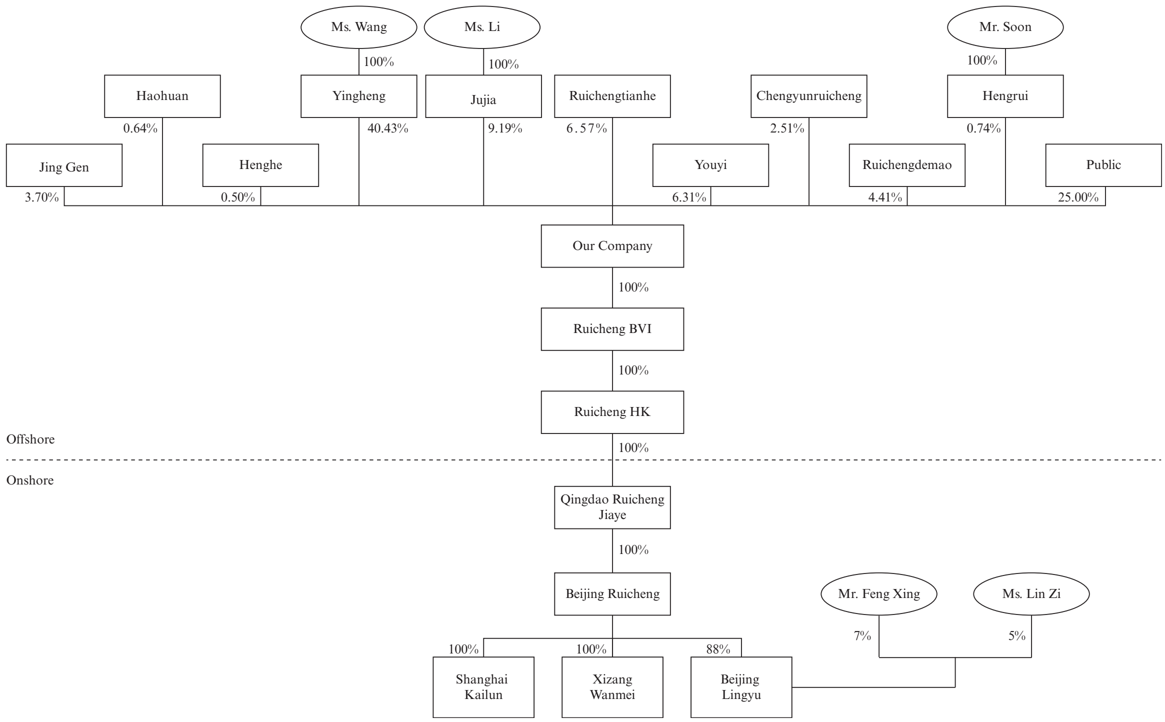
6. Ruichengtianhe is owned as to approximately 32.17% and 67.83% by Ms. Wang Zeli and Independent Third Parties (who were Beijing Ruicheng's shareholders immediately prior to its delisting from the NEEQ), respectively. Ms. Wang Zeli is the largest shareholder of Ruichengtianhe.

7. Youyi is owned as to approximately 53.38% by Ms. Wang Xin and 46.62% by Mr. Wang Pingpin, the brother of Ms. Wang and Ms. Wang Xin, respectively.

8. Chengyunruicheng is wholly owned by an Independent Third Party.

9. Ruichengdemao is owned as to approximately 83.33% and 16.67% by Mr. Feng Xing and Ms. Liu Yang, respectively.

Set out below is the corporate structure and shareholding of our Group immediately following completion of the Global Offering, assuming no exercise of the Over-allotment Option and no change in shareholding by each of our Shareholders listed below subsequent to the Latest Practicable Date:



Note: The shareholders and shareholding structure of the offshore holding companies of our Company are the same as the shareholding structure immediately after completion of the Reorganisation and before the Global Offering.

In addition to the undertaking given by one of our Controlling Shareholders, Yingheng, as stipulated in the paragraph headed "Underwriting — Undertakings to the Stock Exchange — Undertakings by our Controlling Shareholders" in this prospectus, each of Jing Gen, Haohuan, Henghe, Jujia, Ruichengtianhe, Youyi, Chengyunruicheng, Ruichengdemao and Hengrui has given a voluntary non-disposal undertaking to our Company ending on the date which is six months from the Listing Date.

PRE-IPO INVESTMENTS

Investment by Ms. Wang Zeli

Following the delisting of Beijing Ruicheng from the NEEQ and in contemplation of the Listing, on 22 October 2018, Ms. Wang Zeli and Tianjin Runshengfu entered into a sale and purchase agreement pursuant to which Tianjin Runshengfu agreed to sell, and Ms. Wang Zeli agreed to purchase, 2,300,000 shares in Beijing Ruicheng at a consideration of RMB2,829,000, which was determined based on commercial negotiations after taking into consideration the timing of the Pre-IPO Investment, our business prospects and the historical trading price of Beijing Ruicheng on the NEEQ. Such consideration was fully settled by Ms. Wang Zeli on 31 October 2018 with her own financial resources. Tianjin Runshengfu ceased to hold any interest in Beijing Ruicheng after the transfer of all its shares in Beijing Ruicheng on 22 October 2018, which included, among others, the transfer of 2,300,000 shares in Beijing Ruicheng to Ms. Wang Zeli.

On 25 January 2019 and as part of the Reorganisation, Ruichengtianhe, which was jointly set up by Ms. Wang Zeli and other shareholders, subscribed for Shares in our Company. Ms. Wang Zeli was deemed as one of our Pre-IPO Investors as she only became one of our shareholders following the delisting of Beijing Ruicheng from the NEEQ, in contemplation of the Listing. Further, no acting-in-concert arrangements have been entered into among Ms. Wang Zeli and other shareholders. Ruichengtianhe was jointly set up by Ms. Wang Zeli and the other shareholders with a view to lower the administrative costs and procedures brought about in the daily maintenance of such company. Ruichengtianhe is owned as to 32.17% by Ms. Wang Zeli. Pursuant to such subscription, an aggregate of 715,000 Shares, representing approximately 8.76% of the total issued shares of our Company immediately before the Loan Capitalisation, the Capitalisation Issue and the Global Offering, were allotted and issued to Ruichengtianhe credited as fully paid, among which effective number of about 230,016 Shares were attributable to Ms. Wang Zeli.

Information of Ms. Wang Zeli

Ms. Wang Zeli is an individual investor. She is currently the deputy general manager of Tianjin Zhongbeiya Automobile Trading Co., Ltd* (天津中北亞汽車貿易有限公司), a company principally engaged in the sales of automobile. Ms. Wang Zeli knew about our Group through Tianjin Runshengfu, one of the shareholders of Beijing Ruicheng before its delisting from the NEEQ.

Investment by Ms. Liu Yang

On 28 November 2018, Ms. Liu Yang, Beijing Ruicheng and the then shareholders of Beijing Ruicheng entered into a capital subscription agreement pursuant to which approximately 0.99% equity interest in Beijing Ruicheng was subscribed by Ms. Liu Yang at a consideration of RMB984,000, which was determined based on commercial negotiations after taking into consideration the timing of the Pre-IPO investment, our business prospects and the historical trading price of Beijing Ruicheng on the NEEQ. Such consideration was fully settled by Ms. Liu Yang with her own financial resources on 19 December 2018.

On 25 January 2019 and as part of the Reorganisation, Ruichengdemao, which was jointly set up by Ms. Liu Yang and Mr. Feng Xing, subscribed for Shares in our Company. Ruichengdemao is owned as to 16.67% by Ms. Liu Yang. Pursuant to such subscription, an aggregate of 480,000 Shares, representing approximately 5.88% of the total issued shares of our Company immediately before the Loan Capitalisation, the Capitalisation Issue and the Global Offering, were allotted and issued to Ruichengdemao credited as fully paid, among which effective number of 80,016 Shares were attributable to Ms. Liu Yang.

Information of Ms. Liu Yang

Ms. Liu Yang is an individual investor. She is currently a director and shareholder of Beijing Yiming Food and Beverage Limited* (北京一明飲食文化有限公司), a limited liability company established in the PRC on 24 January 2017, which is primarily engaged in the innovative media and advertising industry. She holds a master's degree in business administration from the Open University of Hong Kong. We acquainted with Ms. Liu Yang through Mr. Feng Xing, one of our executive Directors.

Investment by Mr. Soon

On 21 March 2019, Hengrui (which is wholly owned by Mr. Soon), our Company and Ms. Wang entered into an investment agreement pursuant to which Hengrui agreed to subscribe for, and Ms. Wang agreed to procure our Company to issue and allot 80,800 Shares to Hengrui at a consideration of RMB2,000,000 (or an equivalent amount in foreign currency) which is determined based on commercial negotiations after taking into consideration the timing of the Pre-IPO Investment and our business prospects.

Information of Mr. Soon

Mr. Soon is an individual investor. He is currently the president of the Norway-China Tour Guide Association* (挪中導遊協會) and the president of the Norway China Friendship Association (挪威中國友好協會). We acquainted with Mr. Soon as he is a friend of Ms. Wang, one of our Controlling Shareholders.

To the best knowledge and belief of our Directors and having made all reasonable enquiries, Ms. Wang Zeli, Ms. Liu Yang and Mr. Soon are individual private investors who from time to time participate in various investment opportunities in different target companies encompassing various industries. They decided to invest in our Group in view of the prospects of our business growth. All of them, to the best knowledge and belief of our Directors, are Independent Third Parties.

The table below sets forth a summary of the Pre-IPO Investments:

Name of investor	Ms. Wang Zeli	Ms. Liu Yang	Mr. Soon and Hengrui
Date of the agreement in relation to the Pre-IPO investment	(a) 22 October 2018 (as regards the sale and purchase of 2,300,000 shares in Beijing Ruicheng) (equivalent to approximately 2.88% equity interest in Beijing Ruicheng) (b) 25 January 2019 (as regards the subscription of effectively 230,016 Shares through Ruichengtianhe as part of Reorganisation)	(a) 28 November 2018 (as regards the subscription of approximately 0.99% equity interest in Beijing Ruicheng) (b) 25 January 2019 (as regards the subscription of effectively 80,016 Shares through Ruichengdemao as part of Reorganisation)	21 March 2019 (as regards the subscription of 80,800 Shares through Hengrui)
Amount of consideration paid	RMB2,829,000	RMB984,000	RMB2,000,000
Basis of consideration	Based on commercial negotiations after taking into consideration the timing of the Pre-IPO Investment*(Note)* and the prospects of our business, and the historical trading price of Beijing Ruicheng on the NEEQ	Based on commercial negotiations after taking into consideration the timing of the Pre-IPO Investment*(Note)* and the prospects of our business, and the historical trading price of Beijing Ruicheng on the NEEQ	Based on commercial negotiations after taking into consideration the timing of the Pre-IPO Investment*(Note)* and the prospects of our business

Note: Generally, in respect of timing of the Pre-IPO investments, Pre-IPO investments in an earlier stage bear a relatively higher risk and face more uncertainties in terms of a company's progress in its preparation for its proposed listing on the Stock Exchange. Ms. Wang Zeli and Ms. Liu Yang entered into their agreements regarding the Pre-IPO Investments in October 2018 and November 2018, respectively, which was in a relatively early stage of the proposed Listing, and thus the considerations had a relatively higher discount rate. Hengrui, solely owned by Mr. Soon, entered into its agreement regarding the Pre-IPO Investment in a relatively later stage in late March of 2019, and thus the consideration had a relatively lower discount rate.

Payment date of the consideration	31 October 2018	19 December 2018	3 April 2019
Effective shareholding upon Listing *(note)*	Approximately 8,455,623 Shares through Ruichengtianhe, representing approximately 2.11% of the issued shares of our Company upon Listing	Approximately 2,941,476 Shares through Ruichengdemao, representing approximately 0.74% of the issued shares of our Company upon Listing	Approximately 2,970,297 Shares, through Hengrui, representing approximately 0.74% of the issued shares of our Company upon Listing
Effective cost per Share paid (based on effective shareholding)	approximately RMB0.33 (equivalent to approximately HK$0.37)	approximately RMB0.33 (equivalent to approximately HK$0.37)	approximately RMB0.67 (equivalent to approximately HK$0.75)
Discount to the mid-point of the indicative Offer Price range	approximately 75.3%	approximately 75.3%	approximately 50.0%
Use of net proceeds and its utilisation by our Company	N/A, as the payment was made to a then shareholder of Beijing Ruicheng	The proceeds have been used for our general working capital purposes	The proceeds have been used for the payment of the consideration for Ruicheng HK's acquisition of Qingdao Ruicheng Jiaye as set out in the paragraph headed "Reorganisation" in this section
Lock-up period	Ruichengtianhe, a company owned as to approximately 32.17% by Ms. Wang Zeli, has given a voluntary non-disposal undertaking to our Company ending on the date which is six months from the Listing Date	Ruichengdemao, a company owned as to approximately 16.67% by Ms. Liu Yang, has given a voluntary non-disposal undertaking to our Company ending on the date which is six months from the Listing Date	Hengrui, a company wholly-owned by Mr. Soon, has given a voluntary non-disposal undertaking to our Company ending on the date which is six months from the Listing Date
Any special rights enjoyed	nil	nil	nil
Strategic benefits brought to our Group by the investor	Strengthening our shareholder base	Strengthening our capital, shareholder base and bringing potential collaborative effect to our Company with the investor's experience in the innovative media and advertising industry	Strengthening our capital, shareholder base and bringing potential collaborative effect to our Company with the investor's business connections

Note: Based on the numbers of Shares to be issued upon completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is not exercised.

The Sole Sponsor is of the view that each of the Pre-IPO Investments is in compliance with the guidance letters (HKEX-GL29-12 regarding Interim Guidance on Pre-IPO Investments and HKEX-GL43-12 regarding Guidance on Pre-IPO investments) issued by the Stock Exchange as (i) the consideration payable by each of Ms. Wang Zeli, Ms. Liu Yang and Mr. Soon under their respective Pre-IPO Investments was fully settled on 31 October 2018, 19 December 2018 and 3 April 2019, respectively, and (ii) no special rights were granted to the Pre-IPO Investors that will survive after the Listing in respect of the Pre-IPO Investments. The "Guidance on Pre-IPO Investment in Convertible Instruments" (HKEX-GL44-12) is not applicable to the Pre-IPO Investments as no convertible instrument was issued.

Public float

As each of Hengrui (which is wholly owned by Mr. Soon) and Ruichengtianhe (which Ms. Wang Zeli invested in) will hold less than 10% of the total issued share capital of our Company immediately following the completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering and each of them is independent from and not connected with each other, they will not be considered as a substantial shareholder of our Company upon completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering. Accordingly, the Shares held by each of Hengui (which is wholly owned by Mr. Soon) and Ruichengtianhe (which Ms. Wang Zeli invested in) shall be considered as part of the public float for the purpose of Rule 8.08 of the Listing Rules. As Ms. Liu Yang holds her share through Ruichengdemao, an entity jointly controlled by Mr. Feng Xing, one of our executive Directors and herself, the Shares held by Ruichengdemao shall not be considered as part of the public float for the purpose of Rule 8.08 of the Listing Rules.

COMPLIANCE WITH PRC LAWS

Our PRC Legal Advisers have confirmed that all relevant approvals and permits required under the PRC laws and regulations in connection with the Reorganisation have been obtained and the Reorganisation has complied with all applicable PRC laws and regulations.

SAFE REGISTRATION

As advised by our PRC Legal Advisers, each of our domestic individual shareholders has completed the registration under the Circular 37 and the Circular 13. The said registrations have been completed by 31 December 2018.

The M&A Provisions

Pursuant to Article 11 of the M&A Provisions, where a domestic individual person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of MOFCOM.

As advised by our PRC Legal Advisers, Article 11 of the M&A Provisions does not apply to our Reorganisation, because (i) at the time of acquisition of 1% equity interest in Qingdao Ruicheng Jiaye by Mr. Soon, Mr. Soon was a foreign investor and was independent from Qingdao Ruicheng Jiaye and its shareholders; (ii) in the case of acquisition of 100% equity interest in Qingdao Ruicheng Jiaye by Ruicheng HK, Qingdao Ruicheng Jiaye was a sino-foreign equity joint venture, therefore the acquisition of the equity interests in Qingdao Ruicheng Jiaye by Ruicheng HK shall be subject to Provisions of the Alteration of Investor's Equities in Foreign-funded Enterprises 《外商投資企業投資者股權變更的若干規定》 rather than the M&A Provisions. The Administrative Examination and Approval Service Bureau of Qingdao Huangdao District (青島市黃島區行政審批服務局), which is the competent filing authority for the establishment and alteration of filing administration of foreign investment enterprises which are not subject to special administrative measures stipulated by the state, is of the same view and has already completed the filing procedure of Qingdao Ruicheng Jiaye for the acquisition and issued record receipt; and (iii) the acquisition of 100% equity interest in Beijing Ruicheng by Qingdao Ruicheng Jiaye shall be subject to the Interim Provisions on the Domestic investment by Foreign Invested Enterprises 《關於外商投資企業境內投資的暫行規定》.

Our PRC Legal Advisers have also confirmed that we are not required to obtain approval from CSRC, MOFCOM or other relevant PRC authorities for the Listing.

OVERVIEW

Founded in 2003, we are an established advertising service provider in the PRC, primarily focusing on TV advertising services. Leveraging on our experience and expertise in TV advertising, we successfully diversified our service offerings to online and outdoor advertising services.

With the strong strategy formulation and data analytical capabilities and in-depth industry experience of our Group, we are able to provide a wide range of advertising services including data analysis, marketing strategy planning, advertising solution formulation, sourcing of advertising resources, overall coordination and/or execution, and evaluation of the effectiveness of the advertisements. We are committed to offering tailor-made advertising solutions to our customers through formulating customised proposals based on our analysis of market and industry data, which could at the same time meet the budget and achieve the marketing objectives of our customers. Besides identifying and sourcing from the relevant suppliers, we are capable to monitor the execution and evaluate the effectiveness of the advertising solutions to ensure the effect of our advertising solutions could be maximised. We generally do not offer any advertising design services. The hard-sell TV advertisements are designed and produced by our customers or third-party production firms on their behalf, and for soft-sell TV and online advertising services, our advertising proposals may contain suggestions or ideas on advertising slogans, subtitles and scenes to be implanted in variety shows and TV series, and the advertising text and graphic to be placed in online advertisements, which is part of our customised advertising solutions offered.

We pride ourselves on the strong market position we built up in the TV advertising media services market in the PRC since 2003. We ranked the tenth among approximately 5,000 TV advertising media service providers in the PRC in terms of TV advertising revenue in 2018, representing a market share of approximately 0.3% according to the CIC Report. Due to our in-depth experience and expertise in offering TV advertising services, we have received numerous awards in recognition of the success of our TV advertising business.

Taking advantage of our capability in formulating customised advertising solutions to our customers and our strong market position, we are experienced in providing advertising services to advertisers, or through their agents, from a wide spectrum of industries such as foods and beverages, household furnishing and electronics, internet and mobile games, telecommunications, pharmaceuticals and automobile industries. We are able to maintain business relationships with various renowned national enterprises in the PRC, such as Wanglaoji Advertiser, the advertiser of a leading home appliances manufacturer in the PRC (headquartered in Qingdao), the advertiser of a leading kitchen appliances manufacturer (headquartered in Ningbo) and a state-owned enterprise which ranked top three in the telecommunications services industry in the PRC in terms of revenue in 2018.

Riding on our strong customer base, we are able to establish a strong presence in the TV advertising media services industry through maintaining long-standing relationships with our major TV station suppliers which are first-tier provincial satellite TV stations such as Jiangsu Radio and Television Group Co., Ltd.* (江蘇省廣播電視集團有限公司)

("**Jiangsu TV**") and leading provincial satellite TV stations in Hunan, Shanghai and Zhejiang. These long-established relationships give us competitive edge in securing valuable TV advertising resources such as TV advertising time slots during prime time and the rights to implant soft-sell advertisements in variety shows or TV series with high viewership and demand in renowned TV stations. Furthermore, due to our established relationships with these provincial satellite TV stations, we are able to consolidate TV advertising resources available and allow our customers to access a broad range of TV advertising resources from different TV stations.

We entered into first contract of our online and outdoor advertising services upon the request of our customers in 2011 and 2007, respectively. Due to the increasing demand for multi-channel advertising services and riding on our years of experience in the advertising industry, we expanded our online and outdoor advertising services in 2017. Leveraging on our experience in providing advertising services and our strong data analytical capabilities, we are able to identify the relevant suppliers possessing specific online and outdoor advertising resources, such as the rights to place advertisements on platforms such as search engines, websites, buildings and subways, to satisfy the demand of our customers. In particular for our online advertising services, we are capable of offering online advertising solutions to our customers through analysing the preference and behaviour of the internet users, the types of online advertising services used by competitors of our customers, and the characteristics and effectiveness of various online platforms. Since then, we have been able to offer advertising solutions covering TV, online, outdoor and other types of advertisements to be placed on various platforms to address the diverse advertising needs of our customers. Advertising industry is characterised by rapidly changing environment and viewer preference. Our Group's diversification to online and outdoor advertising businesses demonstrates our ability in adapting to the rapidly changing environment of the advertising industry in the PRC.

COMPETITIVE STRENGTHS

We are an established TV advertising media service provider in the PRC

Established in 2003, our Group has over 15 years of advertising experience in the PRC. According to the CIC Report, we ranked the tenth among approximately 5,000 TV advertising media service providers in the PRC in terms of TV advertising revenue in 2018, representing a market share of approximately 0.3%. With years of experience in the advertising industry, we successfully established long-standing relationship with first-tier provincial satellite TV stations such as Jiangsu TV and leading provincial satellite TV stations in Hunan, Shanghai and Zhejiang, which gives us competitive edge in securing TV advertising time slots during prime time and advertising rights in variety shows with high viewership and demand, such as the advertising time slots during the broadcast of a singing contest through blind auditions among laymen in China in 2013 and a game variety show where the hosts and the guests were required to complete missions with running in order to win a competition in 2015 from a first-tier provincial satellite TV station in Zhejiang, and the rights to implant soft-sell advertisements for one of our major customers, the advertiser of a home appliances manufacturer headquartered in Qingdao, in (i) "Star Chef"《星廚駕

到》from 2014 to 2016; (ii) "Xianchu Dangdao"* 《鮮廚當道》 in 2017; (iii) "Three Gardens"* 《三個院子》from 2017 to 2018; and (iv) "Knowledge is Power"《知識就是力量》in 2018 from Jiangsu TV.

Due to our in-depth experience and expertise in offering tailor-made TV advertising solutions, we have received numerous awards in recognition of our quality advertising services, including the "19th IAI International Advertising Awards: Greater China Region Content Marketing Company of The Year"* (第十九屆IAI國際廣告獎 — 大中華區年度內容營銷公司) in May 2019, the "ADMEN International Awards: Practice Case in Category of Digital Marketing Gold Award" (ADMEN國際大獎 — 整合營銷實戰金案大獎) in July 2018, the "Main Advertising Award of 2016 Great Wall Awards of China: Annual Golden Partner" (2016中國廣告長城獎廣告主獎 — 年度金夥伴) in October 2016 and the "Eighth China Advertising Golden Vision Awards: Enterprise with Best Marketing Innovation"* (第八屆中國廣告主金遠獎 — 最具營銷創新力企業) in April 2016. For details of the awards received by our Group, please refer to the paragraph headed "Awards" in this section. Our Directors believe these awards not only can serve as endorsement to our customers in terms of quality of our services, effectiveness of content delivery and precision of our advertising solutions, but also can attract more reputable customers and talents to our Group.

We have established and maintained credible business relationships with renowned advertisers

Taking advantage of our capability in formulating customised advertising solutions and our strong market position, we are able to establish long-standing relationships with renowned national enterprises in the PRC. Our customers include advertisers or their advertising agents from a wide variety of industries, such as household furnishing and electronics, food and beverages, pharmaceuticals and telecommunications.

As at the Latest Practicable Date, we have successfully (i) maintained years of business relationships ranging from ten to 14 years with our major advertiser customers such as Wanglaoji Advertiser, the advertiser of a leading home appliances manufacturer in the PRC (headquartered in Qingdao) and the advertiser of a leading kitchen appliances manufacturer (headquartered in Ningbo); and (ii) established new business relationship with one of the top three leaders in telecommunications services industry in the PRC in 2017. We were awarded by one of our major customers, the advertiser of a leading kitchen appliances manufacturer (headquartered in Ningbo) as their "Excellent Supplier" (優秀供應商) in 2016.

Among our major customers during the Track Record Period, we had four major advertiser customers as mentioned above which, according to the CIC Report, ranked among top three in their respective industries, namely the ready-to-drink tea, refrigeration appliances and large kitchen appliances industries in terms of retail sales volume in 2018 and telecommunications services industry in terms of revenue in 2018. Our Directors believe that renowned advertisers generally have more budget and a relatively stable demand for advertising, which is conducive to our business development. In addition, cooperating with such renowned advertisers enables us to build up our reputation in the advertising industry and capture more business opportunities from potential customers.

As we have established trust and understanding with our major customers over the years, we are able to familiarise ourselves with our customers' corporate cultures, advertising budgets and preferences, which allows us to better understand our customers' expectation and provide them with advertising services best suited to their needs, hence further enhancing the relationships with our customers.

We have established long-standing business relationships with our major suppliers, most of which are first-tier provincial satellite TV stations in the PRC

We have successfully maintained business relationships with four of the first-tier provincial satellite TV stations in Hunan, Shanghai, Zhejiang and Jiangsu ranging from eight to 11 years, all of which are our major suppliers during the Track Record Period. According to the CIC Report, these four first-tier provincial satellite TV stations had a total TV audience share of approximately 10.2% and an advertising revenue share of approximately 22.5% in China's TV stations in 2017. These first-tier provincial satellite TV stations have accumulated millions of viewers, which enables our advertisements to reach a wide range of target consumers, hence maximising the effects of our advertising solutions.

Leveraging on the long-standing relationships with our suppliers, we are able to (i) secure valuable advertising resources with high demand; (ii) obtain the most updated and first-hand information regarding the advertising resources available; and (iii) monitor the execution of the advertising solutions accurately. As TV advertising time slots during prime time and advertising resources in popular variety shows with high viewership are limited in quantity, our long-established relationships with first-tier provincial satellite TV stations give us competitive edge in securing such advertising resources. This in turn enables us to attract more customers to enhance our customer base. Such a strong customer base consequently allows us to strengthen our business relationships with our suppliers. Our Directors believe that we have established ourselves as the bridge between our suppliers and customers and created a win-win situation for both our suppliers and customers, and thus, are able to differentiate ourselves from our competitors in the PRC.

We have diverse service offerings which enable us to be a multi-channel advertising service provider

Due to the increasing demand for multi-channel advertising services, in particular online advertising services, our diverse service offerings covering TV, online and outdoor advertising services allow us to stand out among our competitors. Besides our TV advertising services, we provide online advertising services to our customers through providing online advertising solutions by analysing the preference and behaviour of the internet users, the types of online advertising services used by competitors of our customers, and the characteristics and effectiveness of various online platforms. This enables us to offer customised online advertising solutions to customers with a higher precision rate, which could be targeted at a specific group of consumers. Given the increasing popularity and the larger audience base of online advertising in China recently, we are able to satisfy such growing demands of our customers and allow the online advertisements of our customers to reach a wide range of internet users, hence maximising the effects of our online advertising solutions.

Riding on our long-standing relationships with our suppliers and our supplier network, we, as a multi-channel advertising service provider, allow our customers to access a broad range of advertising resources covering TV, online and outdoor advertising resources, in an effective way. For TV advertising resources, we are capable of consolidating and proposing information of the advertising resources available in different TV stations, such as variety shows to be broadcast in the coming year, TV advertising time slots and the types of soft-sell TV advertisements. This enables our customers to choose advertising resources efficiently, before sourcing the advertising resources from our suppliers. For online and outdoor advertising resources, we are able to identify the relevant suppliers possessing specific advertising resources requested by our customers due to our supplier network. This saves time cost of our customers as it may be difficult and time-consuming to find the relevant suppliers by themselves.

We have a strong strategy formulation and data analytical capabilities in providing tailor-made advertising solutions to our customers

Taking advantage of our strong strategy formulation skills and in-depth industry knowledge and experience, we are able to offer a wide range of advertising services to our customers which differentiates ourselves from both our competitors and suppliers. We are capable of formulating tailor-made advertising solutions most suitable for our customers through analysing market and industry data such as data on consumer behaviour, competitive landscape in the relevant industry and target audience of each advertising resource. Furthermore, we are able to apply content marketing approach to offer advertising solutions with creative ideas to our customers. We are capable of formulating advertising solutions with the advertised products, services or brands implanted in variety shows or TV series in a natural and subtle way through creating a set or scene that matched with such advertised products, services or brands. Due to our strong strategy formulation capabilities, particularly our expertise in applying content marketing in variety shows, some of our advertising projects in variety shows were awarded the "Eighth China Advertising Golden Vision Awards: Gold Prize for TV Case"* (第八屆中國廣告主金遠獎 — 電視類金獎) in 2016 and the "ADMEN International Awards: Media Consolidation Practical Tactics Gold Prize"* (ADMEN國際大獎 — 媒介整合類實戰金案獎) in 2017. In addition, we consider the marketing objectives and the budget of our customers to ensure the service fee of the customised advertising solutions is acceptable to our customers.

We are also capable of allowing customers to understand the effectiveness of our advertising solutions by issuing evaluation reports after analysing data through our self-developed analytical model, the RIF Model. Our RIF Model guides us to consider factors such as viewership, the reach rate of the advertisements and the types of audience reached. In 2016, our RIF Model was awarded the "Eighth China Advertising Golden Vision Awards: Brand Management Model with the Best Market Value" (第八屆中國廣告主金遠獎 — 最具市場價值品牌管理模型). Our Directors are of the view that our strong strategy formulation and data analytical capabilities and the resulting recognitions we received allow us to stand out among our competitors and capture business opportunities from both our existing and potential customers.

We have a competent management team with experience and expertise in the advertising industry

Our management team has extensive industry knowledge and experience in the advertising industry in the PRC. Our executive Directors, Ms. Li and Mr. Feng Xing have over 18 years of experience in the advertising industry. Ms. Li was awarded the "Ten Best and Most Influential Female Advertising Person in China 2009–2010"* (2009–2010年度中國最具影響力十佳女性廣告人) in 2010 and the "China Advertising Golden Vision Awards: New Decade Leader in China's Marketing"* (中國廣告主金遠獎新十年中國營銷傳播領軍人物大獎) in 2011. Mr. Feng Xing was awarded the Jinwang Annual Internet Marketing Individual* (金網年度互聯網營銷人物) in 2015 and the title of "Contemporary China Outstanding ADMAN"* (中國當代傑出廣告人) in 2017. One of our senior management, Ms. Lin Zi has over 20 years of experience in the advertising industry and was awarded the "Eighth China Advertising Golden Vision Awards: Leader in China's Marketing"* (第八屆中國廣告主金遠獎中國營銷傳播領軍人物) in 2016. Please refer to the section headed "Directors and Senior Management" in this prospectus for further details and biographies of our Directors and senior management. With their experience, knowledge and insight, our Directors are of the view that our management team is able to lead our Group to excel in this competitive industry and to ensure our future growth.

BUSINESS STRATEGIES

We intend to strengthen our market position and increase our market share by pursuing the following strategies:

Enhance our market position as an established TV advertising service provider

During the Track Record Period, TV advertising services was our major source of revenue and contributed approximately 98.0%, 90.6%, 67.3% and 43.7% of our total revenue, respectively. According to the CIC Report, China's TV advertising media services market in terms of advertisers' expenditure increased from approximately RMB138.5 billion in 2014 to approximately RMB154.9 billion in 2018 and the market size is expected to continue to grow at a CAGR of approximately 4.1% to approximately RMB189.3 billion in 2023. As the TV advertising media services market in China is fragmented with approximately 5,000 participants and our Group only held a market share of approximately 0.3% in terms of the total TV advertising revenue in 2018, our Directors believe that there will be considerable business opportunities and room in the industry to increase our market share in the TV advertising media services market and further enhance our market position.

During the Track Record Period, we provide TV advertising services which consist of (i) hard-sell advertising (i.e. placement of traditional advertisements during TV advertising time slots); and (ii) soft-sell advertising (i.e. implantation of soft-sell advertisements in variety shows and TV series such as product placement, title sponsorship, subtitle advertisement and verbal slogan). We plan to strengthen our financial position to acquire TV advertising time slots during prime time from first-tier provincial satellite TV stations for our customers. According to the CIC Report, it is important for advertising service providers to enhance their ability in sourcing popular and valuable advertising resources such as TV advertising time slots during prime time. As customers target to make their advertisements or advertising products to reach maximum number of audience, they prefer to purchase advertising resources with high viewership. Therefore, the ability of advertising service providers in securing popular advertising resources can enhance their capability in maintaining relationships with existing customers and attracting new customers. As popular advertising resources are generally expensive, a strong financial position is one of the key success factors of advertising service providers. In addition, it is crucial for advertising service providers to have sufficient capital as (a) this allows advertising service providers to purchase valuable TV advertising time slots during prime time; (b) sizeable customers generally prefer advertising service providers of a larger scale with abundant financial resources, taking into account their financial ability to source valuable advertising resources and undertake sizeable projects; and (c) TV station suppliers generally prefer to work with advertising service providers with a relatively high financial capability to ensure timely settlement for the purchase of advertising resources.

In order to maintain and enhance our Group's competitiveness in such a fragmented and competitive market, it is essential for us to improve our financial position so we could strengthen our ability to source valuable advertising resources in order to undertake sizeable projects involving the purchase of advertising time slots and to maintain our competitiveness in such a fragmented market.

Soft-sell TV advertisements are usually content-related and have gained popularity among advertisers and audiences in recent years. According to the CIC Report, China's soft-sell TV advertising market in terms of advertisers' expenditure increased from approximately RMB63.7 billion in 2014 to strengthen our financial position to approximately RMB82.2 billion in 2018 and is expected further expand to approximately RMB115.8 billion by 2023, representing a CAGR of approximately 7.1% between 2018 and 2023. In order to capture the increasing demand for soft-sell TV advertisements and enhance our market position, we intend to strengthen our financial position and capability in prepaying the TV stations to acquire rights to implant soft-sell advertisements in variety shows with high viewership from first-tier provincial satellite TV stations. Similarly, our Directors believe that it is essential for us to improve our liquidity position for purchasing soft-sell TV advertising rights in variety shows requested by our customers or undertake more sizeable projects involving soft-sell TV advertisements.

Besides, our Group has started to provide soft-sell TV advertising services which aims to assist customers to promote products or services to a specific group of consumers. According to the CIC Report, China's parent-child market has witnessed a rapid growth over the past few years. Between 2014 and 2018, such market in terms of total sales revenue increased from approximately RMB1,599.4 billion to approximately RMB3,017.6 billion, representing a CAGR of approximately 17.2%. It is expected that China's parent-child market will maintain an annual growth rate of approximately 15.1% over the next five years. In order to capture advertising business opportunities in such market, in November 2018, we contracted with a TV station in Beijing to acquire the exclusive right to deal with the soft-sell advertising rights in the Parent-child Variety Show, in which the hosts and the relevant experts provide professional advice on parenting, that is expected to have 104 episodes. The show has been broadcasting on a local TV channel on a weekly basis and subway TV in Beijing since January 2019. We contracted with three customers with an aggregate contract value of RMB10.5 million and approximately RMB3.1 million was recognised from placing soft-sell advertisements in the Parent-child Variety Show as at the Latest Practicable Date. Please refer to the paragraph headed "Exclusive Soft-sell Advertising Rights in the Parent-child Variety Show" in this section for further details of the Parent-child Variety Show.

Due to our higher degree of control on the advertising resources in the Parent-child Variety Show, we could attract potential customers through (i) offering more options in the implantation methods of soft-sell advertisements such as advertising slogans, subtitles or the scenes to be matched with the advertised brands; and (ii) formulating content and ideas tailor-made for our advertiser customers. Going forward, we will utilise the exclusive right to deal with the advertising resources in the Parent-child Variety Show and proactively explore more potential customers to place soft-sell advertisements in the Parent-child Variety Show. We will also explore ways to diversify our source of revenue generated from the Parent-child Variety Show. Advertisements could be placed on various platforms such as public accounts on social media platforms and applications relating to the Parent-child Variety Show. We intend to invite key opinion leaders or experts to promote the Parent-child Variety Show, with potential advertising content and materials implanted.

According to the CIC Report, large-scale customers generally have a relatively high budget or expenditure on advertising services, and high demand for sizeable advertising projects. Such customers generally prefer advertising service providers with abundant financial resources to purchase valuable advertising resources with high demand. Leveraging on (i) our brand reputation established in the advertising industry throughout the years; (ii) in-depth understanding on the advertising objectives, preference and needs of our customers; (iii) our strong strategy formulation capability; and (iv) long-standing relationships with our major customers and suppliers, our Directors were confident that, with improved financial position, we will be capable in soliciting and undertaking sizeable projects from large-scale customers and maintaining our market position despite the intense competition in the TV advertising media services market and the decline in demand from some of our major customers for TV advertising services in 2018.

For existing sizeable customers, in order to increase the demand of our major customers for TV advertising services, we plan to explore more valuable advertising resources such as new and popular variety shows and TV series through communicating more frequently with TV stations or advertising agents to understand the availability and the expected broadcasting schedule of popular or new variety shows or TV series in the coming year. This can enhance the attractiveness of our TV advertising proposals offered to existing customers. For exploring new business opportunities with potential customers of a large-scale, we intend to (i) communicate with them more frequently to understand thoroughly their needs and advertising objectives through site visits and phone calls; (ii) offer customised advertising proposals tailor-made for potential customers after conducting research and analysis on their market position, ranking, advertising preference and history, targeted consumers and competitors; (iii) offer potential customers more relevant market data such as competitive landscape of their industries, viewership of various TV channels and variety shows; and (iv) offer proposals of advertising solution packages including TV, online and outdoor advertisements. Through developing relationships and establishing mutual trust and confidence with these potential customers gradually, our Directors believe that we will be able to solicit new projects from them.

Enhance our capabilities as a multi-channel advertising service provider through strengthening our (i) online advertising services and (ii) outdoor advertising services

We generally sourced online and outdoor advertising resources from advertising agents and provide online and outdoor advertising services to customers during the Track Record Period. According to the CIC Report, there is an increasing demand from advertisers for multi-channel advertising in response to the emerging new media and the changing lifestyles of the millennial generation. As such, besides continuing to maintain our position in the TV advertising media services market, we intend to strengthen our presence in online and outdoor advertising markets so as to enhance our status as a multi-channel advertising service provider.

We entered into first contract of our online and outdoor advertising services upon the request of our customers in 2011 and 2007, respectively. Our Group has successfully applied our experience in providing TV advertising services to further expand our online and outdoor advertising business in 2017, as evidenced by the growth of our revenue for the online and outdoor advertising services by approximately 490.8% and 199.4%, respectively, from 2017 to 2018, and by approximately 1,314.6% and 54.1%, respectively, from the four months ended 30 April 2018 to the four months ended 30 April 2019.

Leveraging on our in-depth experience and expertise in offering TV advertising services and in-depth understanding on the objectives, preference and needs of our customers, we successfully apply our experience, knowledge and skills in providing TV advertising services to online and outdoor advertising services. As the operational workflows for the provision of our TV, online and outdoor advertising services are similar, all of which involve strategy formulation, media negotiation and execution of the advertising solutions, we are able to apply methodologies, procedures and execution plans used in TV advertising services to our online and outdoor advertising services. For instance, our strategy formulation department is responsible for preparing customised advertising proposals with suggestions on the types of TV, online or outdoor advertising resources to be used, and the media operation department is responsible for negotiating with the TV, online or outdoor advertising resources suppliers on the price and the execution plan. In addition, we can further expand our online and outdoor advertising services through promoting such services to the existing customer base of our TV advertising services, such as supplementing our TV advertising proposals with recommendations on online and/or outdoor advertisements to attract customers to use our online and outdoor advertising services.

Online advertising services

According to the CIC Report, China's online advertising market in terms of advertisers' expenditure increased from approximately RMB147.5 billion in 2014 to approximately RMB348.1 billion in 2018, representing a CAGR of approximately 23.9%. The market size is expected to grow further at a CAGR of approximately 13.8% to approximately RMB664.3 billion in 2023. Given the increasing popularity and the larger audience base of online advertising, our customers' demand on online advertising services has increased significantly, which was evidenced by the increase in revenue generated from our online advertising services by approximately 664.8% from 2016 to 2017 and approximately 490.8% from 2017 to 2018. In view of this, our Directors believe that there will be considerable business opportunities generated from our online advertising services in the future.

Our Group entered into first contract of our online advertising services upon the request of our customer in 2011. During the Track Record Period, we have built up an extensive supplier network, particularly with the advertising agents, for our online advertising services gradually and will continue to expand such network. Through sourcing from those advertising agents, we are able to communicate and develop relationships with operators of various major online platforms in the PRC. We intend to expand and strengthen our relationships and network with these online advertising resources suppliers, which are generally large in scale and possess online advertising resources with high popularity.

China's online advertising media services market is fragmented and competitive with over 5,000 online advertising media services providers, with the top five online advertising media service providers accounted for approximately 20.1% of the online advertising media services market by revenue in 2018, according to the CIC Report. Despite the competitiveness of the online advertising market, leveraging on our expertise in content marketing accumulated from offering soft-sell TV advertising services and the fact that most of popular TV series and variety shows will also be broadcasted on online video platforms, we intend to expand our online advertising services business by developing content marketing in online platforms through cooperating with operators of online video platforms to assist customers in purchasing advertising rights in variety shows or TV series to be played on online video platforms. For customers who have already purchased or potential customers seeking for soft-sell advertising rights on TV channels, we will propose the options to further purchase the advertising rights in the same variety shows or TV series to be broadcasted on online video platforms to maximise the advertising effects and allow the advertisements to reach not only TV audience, but also internet viewers. This allows our Group to enhance the attractiveness and effectiveness of our advertising proposals.

In order to further expand our online advertising services and capture the potential business opportunities in the online advertising market, we plan to (i) recruit additional staff who will primarily be responsible for expanding our customer base in online advertising and conducting analysis and formulating online advertising solutions; and (ii) purchase data relevant to the provision of our online advertising services. These data primarily includes AdTracker, mUserTracker, Video Tracker and Miaozhen Admonitor, which can be used for (i) analysing the behaviour of internet users and the influence of online advertising resources and platforms to offer online advertising solutions with higher precision; (ii) monitoring the execution through, for instance, tracking the number of impressions and clicks of the online advertisements; and (iii) evaluating the effectiveness of online advertising solutions such as calculating the number of impression of the online advertisements. Our Directors believe our capabilities in the providing online advertising services could be strengthened through adopting such strategies.

Outdoor advertising services

According to the CIC Report, China's outdoor advertising media services market in terms of advertisers' expenditure has experienced a steady growth in recent years, increasing from approximately RMB58.0 billion in 2014 to approximately RMB66.9 billion in 2018, with a CAGR of approximately 3.6%. The outdoor advertising market is expected to continue to grow at a CAGR of approximately 6.0% from 2018 to 2023. Nevertheless, China's outdoor advertising media services market is competitive with approximately 400,000 outdoor advertising service providers, with the top five outdoor advertising service providers accounted for approximately 36.6% of the outdoor advertising services market by revenue in 2018. Despite the competitiveness of the outdoor advertising market, the total revenue generated from our outdoor advertising services increased by approximately 199.4% from 2017 to 2018.

In the outdoor advertising service market, according to the CIC Report, subway TV advertising is a cost effective advertising method as (i) its cost is comparatively lower than advertisements to be broadcast on TV channels; (ii) the reach rate of the subway TV advertisement is high; and (iii) it has a stable audience share primarily consisting of white collar and middle class. In addition, the number of cities which has started subway operation increased from 22 in 2014 to 35 in 2018, and the length of subway in China increased from approximately 2,073 kilometres to 4,354 kilometres in the corresponding period. Our Directors believe that the demand for such a cost-effective advertising method will continue to increase and our Group will strive for capturing such business opportunities.

In December 2018, we collaborated with four subway advertising agent suppliers who have granted us the rights to place subway TV advertisements relating to the promotion of movies and TV series on various subway lines in Suzhou, Nanjing, Xi'an and Ningbo in 2019. For the four months ended 30 April 2019, and subsequent to the Track Record Period and up to the Latest Practicable Date, we have entered into two and two contracts, respectively, to assist customers to place subway TV advertisements on various subway lines in several cities in the PRC, such as Zhengzhou, Guangzhou, Tianjin, Shanghai, Beijing and Ningbo. Through engaging us, our customers are able to place advertisements on subways in various geographical locations in the PRC as we have the network to source specific advertising resources from the relevant suppliers or advertising agents.

We intend to expand our position in the outdoor advertising market by (i) exploring more potential customers to place advertisements on subways in which we are able to source subway advertising resources through communicating with (a) our existing TV, online or outdoor advertising customers to promote the subway advertising platforms by offering them multi-channel advertising proposals covering TV, online and/or subway advertisements to increase the attractiveness and effectiveness of the proposals; and (b) drama production firms for placing trailers and advertisements for their TV series, dramas and movies in subways; (ii) expanding our subway TV advertising services through purchasing advertising time slots in subway TV; and (iii) recruiting additional staff who will primarily be responsible for expanding our customer base in outdoor advertising market, especially subway TV advertising through offering customers more options on the type of, and the platforms for placing, subway advertisements, and sourcing and coordinating with the advertising agents offering outdoor advertising services and the ultimate outdoor advertising resources suppliers.

Strengthen our strategy formulation and data analytical capabilities

In order to maintain our competitiveness in the fragmented advertising markets, enlarge our customer base and diversify our service offerings, it is crucial to strengthen our strategy formulation capabilities in (i) knowing the latest market trend; (ii) satisfying the demand of our customers; and (iii) analysing different forms of advertisements so advertising solutions best suitable for our customers could be formulated to achieve the marketing objectives of our customers.

During the Track Record Period, due to our budget consideration, we only utilised data base of basic versions, which incurred a much lower cost. However, these data base of basic versions have (i) a smaller coverage on the types of data included, for example, it only covers data in popular industries and brand owners of a large scale; (ii) a slower delivery time which generally takes several days after we placed an order and lengthens the response time of our Group to its customers; and (iii) limitation on the number of delivery of data which restricts the data we could utilise. With advanced version of data base, our Group will be able to obtain large coverage of data immediately without any time lag and limitation on the number of delivery.

In order to strengthen our strategy formulation, monitoring and evaluation capabilities, we intend to upgrade the current version of our data base or purchase more comprehensive market and industry data. For example, more industry data on consumer behaviour and preference would allow us to offer advertising solutions with higher precision targeted at consumers selected by our customers. More comprehensive data for monitoring the execution of advertising solutions on multiple channels including TV, online and outdoor platforms would allow us to strengthen our capability as a multi-channel advertising service provider. More data for evaluating the effectiveness of our TV advertising solutions would allow us to strengthen our market position in the TV advertising media services market in China. Furthermore, we plan to (i) expand our strategy formulation department through recruiting additional employees to facilitate the data analysis and research on various advertising resources and latest advertising methods; and (ii) upgrade our IT facilities to enhance our data analytical capabilities. We also intend to organise training programmes and invite experts in the advertising market to give seminars to our staff in strategy formulation department in order to keep the staff abreast of the latest trend and development in the advertising market.

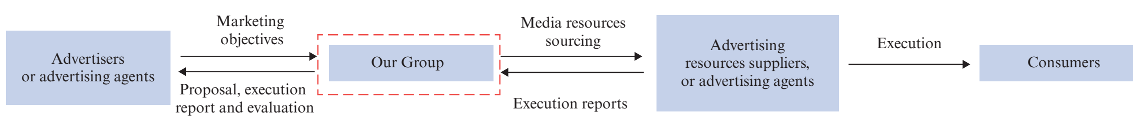
Implementation of our business strategies

For further details on the implementation of the abovementioned business strategies, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

OUR BUSINESS MODEL

We are an established advertising service provider in the PRC, primarily focusing on TV advertising services. During the Track Record Period, our Group generated revenue from the following services including: (i) TV advertising services; (ii) online advertising services; (iii) outdoor advertising services; and (iv) other advertising services. We provide a wide variety of advertising services to our customers including data analysis, marketing strategy planning, advertising solution formulation, sourcing of advertising solutions, overall coordination and/or execution and evaluation of the effectiveness of the advertisements. Please refer to the paragraphs headed "Our Principal Business" and "Our Operational Workflow of our Advertising Services" in this section for details of the types of advertising services we offer.

The following chart sets forth our business model in providing our TV, online and outdoor advertising services:



We generally identify the marketing objectives and demand of our customers and then formulate customised advertising proposals for them. After receiving confirmations from our customers on the advertising resources to be acquired, we purchase the relevant advertising resources from our suppliers before execution. Once the execution of the advertising solution is completed, we provide execution reports and/or evaluation reports to our customers.

OUR PRINCIPAL BUSINESS

During the Track Record Period, our Group provided the following types of advertising services to our customers: (i) TV advertising services; (ii) online advertising services; (iii) outdoor advertising services; and (iv) other advertising services. The following table sets forth the breakdown of our revenue by service type during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* (unaudited)	*(%)*	*RMB'000*	*(%)*
TV advertising services	306,783	98.0	598,730	90.6	527,043	67.3	184,695	87.1	117,275	43.7
Online advertising services	4,334	1.4	33,148	5.0	195,839	25.0	8,863	4.2	125,372	46.7
Outdoor advertising services	—	—	17,221	2.6	51,568	6.6	15,845	7.5	24,410	9.1
Other advertising services *(Note)*	1,965	0.6	11,513	1.8	8,914	1.1	2,527	1.2	1,347	0.5
Total	313,082	100.0	660,612	100.0	783,364	100.0	211,930	100.0	268,404	100.0

Note: Other advertising services include our services relating to the placement of advertisements on radio channels, newspapers and magazines, and organisation of marketing events.

(I) TV advertising services

According to the CIC Report, the nature of TV advertising services can be divided into two categories: (i) hard-sell advertising which includes placement of traditional advertisements during TV advertising time slots; and (ii) soft-sell advertising which includes implantation of soft-sell advertisements in variety shows and TV series such as product placement, title sponsorship, subtitle advertisement and verbal slogan. Hard-sell advertising refers to an advertising approach which is especially direct and uses insistent language, and is focused on attracting a consumer to purchase the advertised products or services in short-term. On the other hand, soft-sell advertising is more subtle and indirect, and is designed to influence the consumer by inducing positive emotional response that is associated with the advertised products or services. Soft-sell TV advertisements generally are supplemented with hard-sell TV advertisements to form advertising solution packages.

The table below sets forth the breakdown of revenue generated from our TV advertising services which consist of (i) hard-sell TV advertisements; and (ii) advertising solution packages, and the percentage contribution to our total revenue in TV advertising services by nature for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* (unaudited)	*(%)*	*RMB'000*	*(%)*
Hard-sell TV advertisements	175,376	57.2	318,454	53.2	290,752	55.2	126,909	68.7	94,484	80.6
Advertising solution packages *(Note)*	131,407	42.8	280,276	46.8	236,291	44.8	57,786	31.3	22,791	19.4
Total	306,783	100.0	598,730	100.0	527,043	100.0	184,695	100.0	117,275	100.0

Note: Advertising solution packages generally include soft-sell TV advertisements supplementing with hard-sell TV advertisements.

(a) Hard-sell TV advertisements

Placement of traditional advertisements during TV advertising time slots is a kind of hard-sell TV advertising. We assist customers to place their advertisements during advertising time slots of TV channels. We consolidate the advertising time slots available from different TV stations. As such, our customers are enable to access to advertising resources from more TV stations and channels in an effective way.

During the Track Record Period, we generated approximately RMB175.4 million, RMB318.5 million, RMB290.8 million and RMB94.5 million, representing approximately 57.2%, 53.2%, 55.2% and 80.6% of our total TV advertising revenue, respectively, from our hard-sell TV advertising services.

(b) Advertising solution packages

The advertising solution packages we offer generally include implantation of soft-sell TV advertisements in variety shows and TV series, supplementing with hard-sell TV advertisements. Soft-sell TV advertisements are usually content-related and have become more popular among advertisers and audiences especially younger audiences in recent years. Examples of soft-sell advertisements to be implanted in variety shows and/or TV series during the Track Record Period are (i) placement of advertised products in variety shows or TV series (i.e. product placement); (ii) title sponsorship which involves purchasing the right to sponsor the title of a variety show or a TV series so that the brand name of the advertisers can be inserted next to the title of the variety show or TV series; (iii) subtitle advertisement which involves purchasing the right to insert subtitles relating to the advertised products in variety shows; and (iv) verbal slogan which involves purchasing the right to insert product-related verbal slogans in variety shows to be presented by the hosts or the guests.

For soft-sell TV advertisements, we apply the content marketing approach to implant the advertised products, services or brands in variety shows or TV series in a natural and subtle way through formulating a set or scene matched with such advertised products, services or brands. Please refer to the paragraph headed "Our Departmental Functions — 1. Strategy formulation" in this section for further details on content marketing. In recent years, various variety shows have gained high viewership and reputation, which made advertising rights to implant soft-sell TV advertisements during the variety shows attractive and valuable to advertisers. Our Group seized the opportunity and successfully provided soft-sell TV advertising services to our customers in these variety shows such as (i) "Star Chef"《星廚駕到》from 2014 to 2016; (ii), "Xianchu Dangdao"* 《鮮廚當道》 in 2017; (iii) "Three Gardens"*《三個院子》from 2017 to 2018; and (iv) "Knowledge is Power"《知識就是力量》in 2018 produced by Jiangsu TV for one of our major customers, the advertiser of a home appliances manufacturer headquartered in Qingdao.

In addition, we have acquired the exclusive right to deal with the soft-sell TV advertising rights in the Parent-child Variety Show through contracting with a TV station in Beijing in November 2018. Please refer to the paragraph headed "Exclusive soft-sell advertising rights in the Parent-child Variety Show" in this section for details.

During the Track Record Period, we generated revenue of approximately RMB131.4 million, RMB280.3 million, RMB236.3 million and RMB22.8 million from our advertising solution packages, representing approximately 42.8%, 46.8%, 44.8% and 19.4% of our total TV advertising revenue, respectively.

(II) Online advertising services

We generally source online advertising resources such as the rights to place advertisements on online platforms from advertising agents. We offer online advertising resources to both advertiser customers such as online game and mobile game companies and agent customers. We provide intermediary services to assist our customers to identify and select the relevant online advertising resources suppliers so the advertisements of our customers could be placed on a wide variety of online platforms such as websites, search engines, applications and social media platforms. We offer customers suggestions on the forms of online advertisements and the types of online platforms after analysing the preference and behaviour of internet users, characteristics and effectiveness of various online platforms and the types of online advertising services used by competitors of our customers. Please refer to the paragraph headed "Our Departmental Functions — 1. Strategy formulation" in this section for further details on the formulation of online advertising solutions.

The major forms of online advertisements we provide include advertising text, images and videos. We normally place our online advertisements through (i) in-feed advertising by which the online advertisements match with the form and function of the platform upon which it appears; (ii) search engine advertising by which (a) searching key words specified by the advertisers on the search engines would allow advertisers' webpage to appear as a sponsored link next to the search results, and (b) the ranking of the online advertisements in search engine result pages would be improved; and (iii) display advertising by which promotional messages would be appeared on websites, applications or social media platforms through banners or other advertisement formats made of text, images, flash and video.

In placing the advertisements online, we sometimes offer services relating to real time bidding to our customers. We assist customers to place advertisements on websites or mobile applications through third party Ad Exchange platforms to targeted internet users which are selected according to the database relating to the users' interests, searching history, browsing history and the track of previous activities of the internet users. Our Directors believe that this type of targeted advertising approach allows our customers to target their desired audience and spend their advertising budgets more effectively where they are most likely to achieve the goal of their advertising plan and to maximise the use of advertising space.

As we promote the brands, products or services of our customers through attracting internet users to view or click the advertisements placed on online platforms, we generally charge our customers on CPM or CPC basis. An advertisement generates an "impression" when the advertisement page or content is displayed. CPM refers to the cost per 1,000 advertisement impressions. Some viewers who have seen the display will click through the advertisement. CPC refers to the cost per each click-through of the advertisement. Please refer to the paragraph headed "Customers — Agreements with our customers" in this section for further details of the terms of payment.

(III) Outdoor advertising services

We assist our customers to identify and select the relevant outdoor advertising resources suppliers so advertisements could be placed on outdoor platforms such as LED screens on or in buildings, highways, subways or advertising light boxes in car shelters, the rights of which are sourced from advertising agents possessing such outdoor advertising resources.

According to the CIC Report, China's outdoor advertising market in terms of advertisers' expenditure has experienced a steady growth in recent years and the number of cities having subway operation increased from 22 in 2014 to 35 in 2018. Our Directors intend to expand our subway TV advertisement business. In December 2018, our Group collaborated with four subway advertising agent suppliers who have granted us the rights to place subway TV advertisements relating to the promotion of movies and TV series on various subway lines in Suzhou, Nanjing, Xi'an and Ningbo in 2019. For the four months ended 30 April 2019, and subsequent to the Track Record Period and up to the Latest Practicable Date, we have entered into two and two contracts, respectively, to assist customers to place subway TV advertisements on various subway lines in several cities in the PRC, such as Zhengzhou, Guangzhou, Tianjin, Shanghai, Beijing and Ningbo.

OUR PROJECTS

The following set forth the breakdown of revenue and number of projects by project size during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April	
	2016		2017		2018		2019	
Project size	**Number of projects**	**Revenue**	**Number of projects**	**Revenue**	**Number of projects**	**Revenue**	**Number of projects**	**Revenue**
(RMB)		*RMB'000*		*RMB'000*		*RMB'000*		*RMB'000*
Within 1 million	17	5,032	14	3,305	10	3,942	10	2,230
1–10 million	27	81,417	17	58,165	20	61,319	10	24,139
10–20 million	6	71,557	1	14,388	6	86,511	5	46,856
20–40 million	1	23,472	6	133,380	13	278,180	4	47,097
Over 40 million	3	131,604	7	451,374	10	353,412	4	148,082
Total	54	313,082	45	660,612	59	783,364	36	268,404

During the Track Record Period, there was a growing number of projects with larger project size. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, we had three, seven, ten and four projects of over RMB40.0 million, which generated approximately 42.0%, 68.3%, 45.1% and 55.2% of our total revenue, respectively.

The following table sets forth the range of project fees charged by our Group and the average project sum of our TV, online and outdoor advertising services, the project fees and the project sum of which were categorised based on the year when the relevant contract was entered into, during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April	
	2016		2017		2018		2019	
	Range of project fees	Average project sum	Range of project fees	Average project sum	Range of project fees	Average project sum	Range of project fees	Average project sum
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TV advertising services	14–119,900	9,840	4–199,717	22,578	245–145,552	21,931	300–65,000	12,528
Online advertising services	20–3,859	769	15,340–20,000	17,670	350–63,847	14,014	40–69,211	16,071
Outdoor advertising services	—	—	1,200–9,640	6,120	410–22,034	8,068	79–33,936	8,851

We generally contract with our customers on a project basis for the provision of our advertising services. During the Track Record Period, we entered into 53, 40, 51 and 19 projects, respectively. The following table sets forth the rolling backlog of our projects by number and project sum during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April	
	2016		2017		2018		2019	
	Number of projects	Project sum	Number of projects	Project sum	Number of projects	Project sum	Number of projects	Project sum
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*
Opening balance as at 1 January	1	6,966	5	135,438	8	523,111	14	281,843
Addition of new contracts by contract amount[1]	53	430,663	40	720,746	51	815,409	19	279,796
Completed contracts[2]	49	302,191	37	333,073	45	1,056,677	20	367,120
Closing balance as at the end of the relevant period	5	135,438	8	523,111	14	281,843	13	194,519

Notes:

1. The contract amount of new contracts indicated was tax inclusive.

2. The project sum of completed projects refers to the project sum of the contracts which were completed in the corresponding year or period, not representing the revenue recognised in the respective year or period.

The following table sets forth the rolling backlog of our projects by outstanding contract sum during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening balance as at 1 January	1,095	92,016	113,972	99,591
Add: Value of new contracts awarded in the relevant period[1]	405,515	686,390	772,933	263,959
Less: Revenue recognised in the relevant period[2]	314,594	664,434	787,314	270,289
Outstanding contract sum of projects as at the end of the relevant period	92,016	113,972	99,591	93,261

Notes:

1. The value of new contracts was tax exclusive.

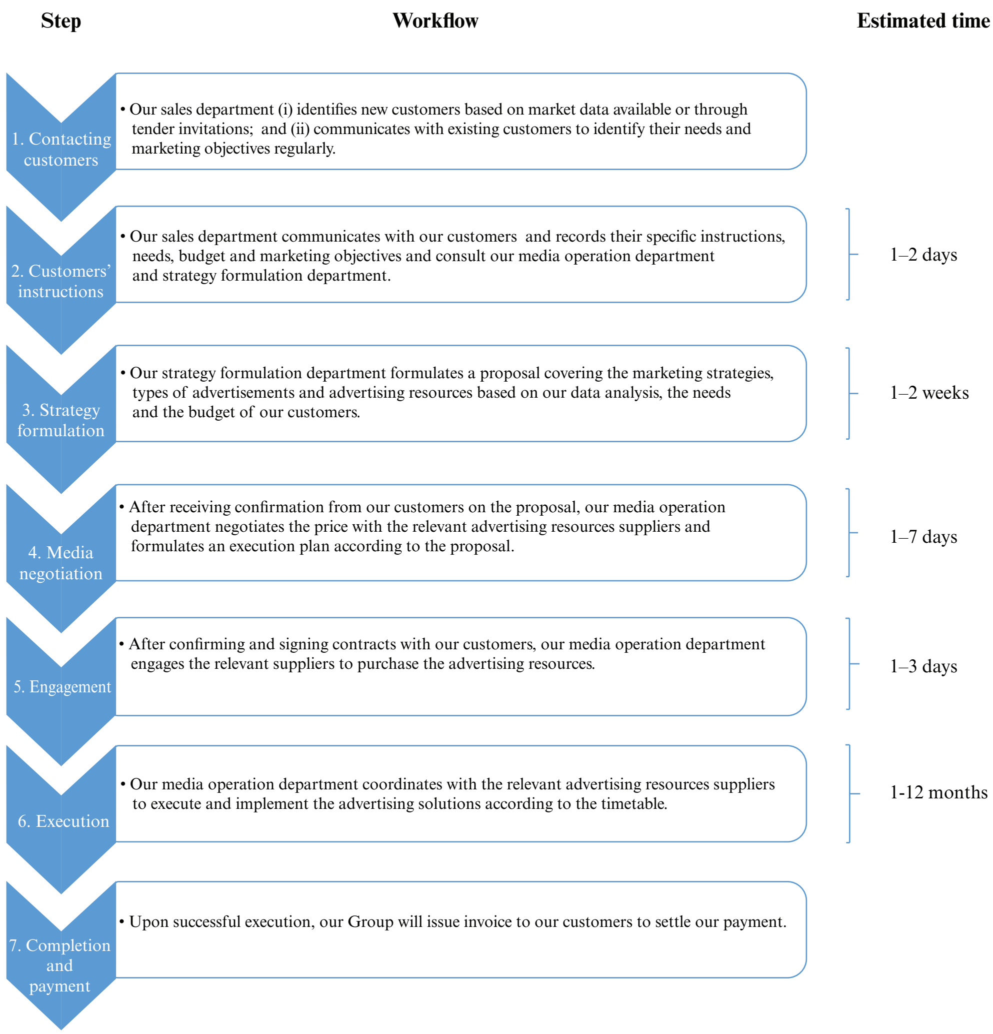
2. The difference between the revenue stated in the above table and the revenue recognised was approximately RMB1.5 million, RMB3.8 million, RMB4.0 million and RMB1.9 million during the Track Record Period, respectively, which is the impact of the tax surcharges.

As at the Latest Practicable Date, we had a total of 22 ongoing projects with a total outstanding contract sum of approximately RMB302.4 million, of which revenue of approximately RMB267.1 million is expected to be recognised in 2019 subsequent to the Latest Practicable Date based on the management's estimation and taking into account the respective existing timetable. In addition, there were six ongoing online advertising projects in which the contract sums were not stipulated in their respective contracts, and the amount will be based on the execution of the online advertising solutions. The amount of online advertising resources purchased by the relevant customers of these six online advertising projects from January to September 2019 ranged from approximately RMB12.4 million to RMB69.2 million. The customers of these projects include online advertising agents, mobile games developers and technology companies.

OUR OPERATIONAL WORKFLOW OF OUR ADVERTISING SERVICES

We are committed to providing customised advertising services pertaining to the characteristics and marketing objectives of our customers. We provide flexibility in our service offerings so that our customers can select specific types of advertising services to form an advertising solution that best suits their marketing objectives. Our Directors consider the provision of a wide spectrum of advertising services including data analysis, marketing strategy planning, advertising solution formulation, sourcing of advertising resources, overall coordination and/or execution, and evaluation of the effectiveness of the advertisements allows us to differentiate ourselves from our competitors.

For illustration purpose, a simplified operational workflow for the provision of our advertising services to our customers is outlined below:



Step 1 — Identify and communicate with customers

We generally identify new customers (i) based on market data available; or (ii) through finding suitable tender invitations for a marketing campaign. We also communicate with our existing customers closely to identify their needs and marketing objectives regularly. Upon request from certain customers, some projects were secured through tendering. We may be required to pay a deposit during the tender application process. Please refer to the paragraph headed "Our Departmental Functions — 3. Sales and marketing" in this section for further details.

Step 2: Instructions from customers

Our sales department communicates with our customers on their specific instructions, needs, budget and marketing objectives, and records such information in an information sheet. Based on the information sheet, our sales department will consult our media operation department on the advertising resources available which are suitable for our customers. Please refer to the paragraph headed "Our Departmental Functions — 2. Media operation — Sourcing advertising resources" for further details. Our sales department will then pass the information sheet together with suggestions on the advertising resources provided by our media operation department to our strategy formulation department for formulating an advertising solution tailor-made for the customer.

Step 3: Strategy formulation

After receiving the information sheet detailing our customer's instructions, marketing objectives and budget from the sales department and suggestions on the advertising resources provided by our media operation department, our strategy formulation department will hold meetings to brainstorm and formulate a proposal covering the marketing strategies and the types of advertisements tailor-made for such customer. The content of our proposal generally covers data analysis on market trend, consumers' demand and behaviour, strengths of different advertising resources and the estimated effectiveness of the advertising solutions proposed. Our proposal will further cover creative contents or ideas to be added in the soft-sell advertisements and the degree of matchability between the advertising resources and the advertised products in respect of the advertising solution packages. Online and outdoor advertising solutions will be covered in the proposal sometimes to address the diverse advertising needs of our customers. Please refer to the paragraph headed "Our Departmental Functions — 1. Strategy formulation — Formulation of advertising solutions" in this section for further details.

Our sales department will present the proposal to our customer for consideration.

Step 4: Media negotiation

After receiving confirmation from our customers on the proposal, our media operation department will request for fee quotes from and negotiate the fee with the relevant advertising resources suppliers. If it is a TV advertising solution involving implantation of soft-sell advertisements in variety shows or TV series, our media operation department will also discuss the execution of the implantation of advertised products in the variety shows with the relevant suppliers or their production teams.

After confirming the fee of each advertising resource, our media operation department will formulate an execution plan including the time and the duration for the execution. Please refer to the paragraph headed "Our Departmental Functions — 2. Media operation" in this section below for further details on the roles of our media operation department. The price and the execution plan will be provided to our customers through our sales department for final confirmation.

Step 5: Engagement

After confirming the price and execution plan, we sign contracts with our customers. Our media operation department will then engage the relevant suppliers to purchase the advertising resources. Our suppliers generally require us to settle payment before execution of the advertising solutions. For a few TV station suppliers, deposits to suppliers are required sometimes and will be used to set off against the purchase. Please refer to the paragraph headed "Suppliers — Agreements with our suppliers" in this section for further details of the terms of payment.

For customers in certain industries such as foods and beverages and pharmaceuticals industries, we obtain permits approving the production of the advertised products issued by the relevant government authorities from our advertiser customers and passed to TV stations for further examination.

Step 6: Execution of advertising solution

After contracting with the relevant suppliers, we will coordinate with them to execute the advertising solutions according to the execution plan such as the broadcasting schedule as stated in the final proposal or the contract. Please refer to the paragraph headed "Our Departmental Functions — 2. Media operation — Executing advertising solutions" in this section for further details.

Step 7: Completion and payment

For TV advertisements, we will provide our customers with (i) broadcast confirmations issued by the TV stations; and/or (ii) reports showing the broadcasting data purchased from third party market research companies after the broadcast. We will continue to monitor the broadcast during the term of the contract. We generally require settlement of our payment within three to 90 days after the execution of our TV advertising solution and the receipt of broadcast confirmations and/or broadcasting reports by customers. For a few customers, we demand payment by instalments or in full prior to the execution. For some contracts with a relatively large contract sum from one of our major customers, we negotiated with that customer for payments in advance before the execution of the TV advertising projects in view of our prepayments to suppliers.

For online advertisements, our suppliers will provide us either (i) an online account for customers to check the execution status or the record of the advertisements; and/or (ii) a monthly statement showing the number of clicks or impressions each month. We generally require settlement of our payment within five to 60 days after the execution of the online advertising solution each month.

For outdoor advertisements, our suppliers will provide us proof of execution such as execution reports with photos showing the advertisements had been placed on the relevant outdoor platforms. We generally require settlement of our payment by two instalments within one to two months upon signing of contract and upon the final execution of the outdoor advertising solution.

Upon request of our customers, our strategy formulation department will issue evaluation reports to evaluate the effectiveness of our TV advertising solutions qualitatively and quantitatively by analysing the broadcasting data. Please refer to the paragraph headed "Our Departmental Functions — 1. Strategy formulation — Evaluation" in this section for further details.

OUR DEPARTMENTAL FUNCTIONS

The following sets out the main functions of each of our (i) strategy formulation department; (ii) media operation department; and (iii) sales department.

1. Strategy Formulation

Our strategy formulation department is mainly responsible for (i) the provision of advertising services including (a) analysing industry data such as consumer behaviour, competitive landscape of various industries and characteristics of advertising resources, (b) formulating customised advertising solutions, and (c) evaluating executed advertising solutions; and (ii) the marketing and promotion of our Group.

Our strategy formulation department is headed by Mr. Shan Zhan who has approximately nine years of experience in conducting data analysis and market research in the advertising market. He was invited to be the final judge of the 11th Golden Vision Awards (第11屆金遠獎) in April 2019.

Formulation of advertising solutions

In order to formulate a TV advertising solution tailor-made for our customer, our strategy formulation department will undergo a data analysis process. We analyse the market and industry data purchased from a third party market research company through considering factors such as (i) brand image of our customer; (ii) consumer behaviour in the relevant industry; (iii) competitive landscape of the relevant industry; and (iv) market condition and target audience of each advertising resource. For example, we will consider the behaviour and preference of our targeted consumers to recommend particular TV channels or variety shows to our customers. If our customer faced intense competition in targeted provinces, we will recommend our customers to increase the broadcasting frequency of the advertisement and/or choose to place soft-sell advertisements to increase the brand exposure of our customers.

In particular, for soft-sell TV advertisements, we evaluate each variety show through our self-developed analytical model, RAM Programmes Resource Value Evaluation System (RAM欄目資源價值評估體系), to analyse factors such as (i) the value of a variety show which is determined by the viewership of the TV channel it belongs to, the viewership and review of the variety show on previous seasons; (ii) the experience of the production team and the popularity of the guests participated; and (iii) the degree of matchability between the advertised products and/or services and the variety show. Based on these analysis and after considering the needs and the budget of our customers, we will decide the proposed (i) marketing strategies for our customer; (ii) types of advertising resources; (iii) forms of advertisements; and (iv) creative contents or ideas and the implantation methods of soft-sell TV advertisements. For soft-sell TV advertisements, we apply the content marketing approach to implant the advertised products, services or brands in variety shows or TV series in a natural and subtle way through formulating a set or scene matched with such advertised products, services or brands. For example, we create a game in a variety show in which the advertised products must be used by the guests during the game. Sometimes, we supplement a TV advertising solution with proposals of online and/or outdoor advertisements to address the diverse advertising needs of our customers.

For online advertisements, we formulate online advertising solutions to allow our customers to choose the forms of advertisement and online platforms most suitable for their needs. We generally give them suggestion on the above after analysing (i) the preference and behaviour of internet users; (ii) the types and degree of online advertising services used by competitors of our customers; (iii) competitive landscape of the relevant industry; and (iv) the characteristics and effectiveness of various online platforms.

Examples of proposals of our major projects

The following tables set forth an illustration of the proposals of our major TV, online and outdoor advertising projects undertaken:

TV Advertising Projects

	Project A	**Project B**
Year	2016	2019
Customer's marketing objectives	• Targeted consumers: young adults aged from 25 to 45 • Marketing campaign to be launched covering the period during Chinese New Year	• Targeted consumers: middle and high income group aged from 25 to 45 • A whole-year TV advertising campaign in first-tier provincial satellite TV stations
Factors or data to be considered	• Customer is an industry leader in ready-to-drink tea industry • Viewership of various TV channels during Chinese New Year • Viewership and targeted audience of various variety shows • Matchability of the advertised product and the variety show	• Budget: approximately RMB50.0 million • Viewership of various TV channels in 2018 • Viewership of various popular variety show produced by first-tier provincial satellite TV stations in 2018 • Advertising resources in variety shows which are available and their respective proposed broadcasting timetable in 2019

	Project A	**Project B**
Proposals	• Aimed to consolidate the leading position in the industry • Proposed a variety show targeted at young adults that will be broadcasted during Chinese New Year in a first-tier provincial satellite TV station in Zhejiang with high viewership • Proposed soft-sell advertising rights which are more appealing to young adults • Proposed title sponsorship after comparing with other soft-sell advertising rights: ▷ title sponsorship: RMB120.0 million for 34,008 seconds for showing the brand logo next to the title of the show ▷ special sponsorship: RMB60.0 million for 864 seconds showing the brand • Proposed several plots and verbal slogans in which the advertised product and the brand could be implanted	• Aimed to increase its market share and consolidate the leading position in the industry • Proposed six proposals covering variety shows in three first-tier provincial satellite TV stations • Presenting the cost, viewership and airtime of each proposal by graph to show their respective value and cost effectiveness

	Project A	**Project B**
Resources purchased	Advertising package including but not limited to (i) soft-sell advertising rights such as title sponsorship and verbal slogans in the variety show proposed; and (ii) hard-sell TV advertisements	Advertising package including but not limited to (i) soft-sell advertising rights of five variety shows such as title sponsorship and product placement which were mentioned in our proposals; and (ii) hard-sell TV advertisements
Contract amount	RMB120.0 million	RMB65.0 million

Online Advertising Projects

	Project C	**Project D**
Year	2018	2019
Customer's marketing objectives	• Targeted consumers: young adults aged 18 to 25 who play mobile games	• Targeted consumers: adults aged 25 to 34 who are white-collar workers
Factors or data to be considered	• Customer is a mobile game developer • Customer encountered difficulty in reaching targeted consumers in traditional advertising platforms such as TV and printed media • Social media is an important platform for targeted consumers to encounter new mobile games	• Customer is a new mobile game developer • The first marketing campaign launched by the customer • Budget: approximately RMB30.0 million • Leading social media platforms are the preferred advertising platforms

	Project C	Project D
Proposals	• Aimed to increase the popularity of the mobile game of the customer and its market share • Proposed to place advertisements on leading online social media platforms in the PRC and a leading mobile application for reading news • Proposed types of online advertisements included in-feed advertisements, photos, text which are suitable for placing on online or mobile social media platforms	• Aimed to increase the popularity of the mobile game of the customer and its market share • Proposed to place advertisements on a leading mobile application for reading news in the PRC, which has a high reach rate to 25 to 34 years old white-collar workers • Proposed types of online advertisements included in-feed advertisements, display advertisements, and video advertisements
Resources purchased	Online advertising rights for placing advertisements on the above online social media platforms and a leading mobile application for reading news	Online advertising rights for placing advertisements on the above leading mobile application for reading news
Revenue	RMB24.1 million	RMB28.3 million

Outdoor Advertising Projects

	Project E	Project F
Year	2018	2019
Customer's marketing objectives	• Targeted consumers: middle and high-income individuals • Marketing campaign for the launch of a new series of products	• Targeted consumers: potential park visitors from core cities in the PRC with high consumption demand • Marketing campaign to promote a scenic garden park located in Shanghai and to boost the number of visitors during the Labour Day holiday
Factors or data to be considered	• Customer is a manufacturer of Chinese pharmaceutical products • Outdoor advertising is a cost-effective way of advertising due to its relatively low cost and ability to reach the targeted consumers of the customer (i.e. high-income groups)	• Customer is an investor and the operator of scenic garden parks • Budget: approximately RMB10 million • Advertisements on LED screens in commercial buildings have a high reach rate to the middle and high-income group

	Project E	Project F
Proposals	• Proposed LED advertisements, such as large screens on external wall of commercial buildings in first-tier and second-tier cities in the PRC, which can maximise the advertising effect to white-collars • Proposed to expand the platforms to LED screens in the elevators and lobbies inside commercial buildings and malls in first-tier and second-tier cities in the PRC • Proposed placing advertisements in public transportation, including subway stations, bus stations, interior and exterior of trains and buses, walkways and on roads	• Proposed to place advertisements for at least one month prior to the Labour Day holiday • Proposed the advertisements to be in video form • Proposed to place advertisements on LED screens inside commercial buildings to increase the reach rate to the middle and high-income group
Resources purchased	Outdoor advertising rights to place advertisements on LED screens on (i) the external wall and inside commercial buildings; and (ii) car shelters across core cities in the PRC	Outdoor advertising rights to place advertisements on LED screens inside commercial buildings in various core cities in the PRC
Revenue	RMB44.1 million	RMB9.1 million

Evaluation

In respect of TV advertising solutions, our strategy formulation department will issue evaluation reports which is prepared with reference to the reports showing broadcasting data we purchased, upon request of our customers. We will evaluate the effects of the advertisements through our self-developed analytical model, the RIF Model. We will analyse market data purchased from third party market research companies such as the price and the viewership of various advertising resources, and broadcasting data such as its viewership on the TV channels and online platforms, the number and types of audience reached.

For illustrative purposes, the following sets forth samples of quantitative data which were generally included in an evaluation report of a hard-sell TV advertising solution:

	Number of broadcast[1]	Gross rating point[2]	Number of people covered[3]	Price	Cost per rating point[4]
	Frequency (Time)			*RMB'000 (Approximate)*	*RMB'000 (Approximate)*
An advertising project involving hard-sell TV advertisements	2,333	524.1	489,421	122,634	234

Notes:

1. Number of broadcast refers to the frequency of the hard-sell advertisement being played. Each time refers to a broadcast of the advertisement.

2. Gross rating point refers to a standard measure for measuring the effects of advertisement. It represents the aggregate viewership from all the relevant broadcasting channels during the broadcasting period.

3. Number of people covered refers to the number of people the advertisements can reach.

4. Cost per rating point refers to the average cost of achieving one rating point.

Through studying the data in the evaluation reports, our customers are able to (i) understand the advertising effects of the advertising solutions in a quantitative way; and (ii) compare such data with their competitors to fully evaluate the effectiveness of their advertising solutions.

For soft-sell TV advertisements, we will further analyse the effect of the advertisements implanted in variety shows by counting the frequency of appearance of such advertisements in the variety show, the length of time of which the advertisements were shown in the variety show and cap screening the relevant scenes with the advertisements implanted. We will also monitor the search frequency of the variety show and the brand of our customers in social media platforms and other online platforms. In 2016, our RIF Model was awarded the "Eighth China Advertising Golden Vision Awards: Brand Management Model with the Best Market Value" (第八屆中國廣告主金遠獎 — 最具市場價值品牌管理模型). This demonstrates our strong data analytical capabilities, which enable us to stand out among our competitors.

Our RIF Model

We evaluate the effectiveness of the advertising solutions through our self-developed RIF Model when preparing evaluation reports. The RIF Model stands for three principles, namely, "Reach", "Implantation" and "Feedback". Under the "Reach" principle, we analyse the broadcasting data such as its viewership on the TV channels and internet, the number and types of audience reached and the provinces or platforms where the advertisements were broadcast or placed. Under the "Implantation" principle, we analyse data such as the frequency of the appearance of the advertisements in the variety show, the length of time of which the advertisements were shown in the variety show, and cap screening the relevant scenes with the advertisements implanted. We then quantify such soft-sell advertising rights by the airtime, the size of logo, the matchability between the products and the variety shows so as to calculate the value of a soft-sell TV advertising solution, and compare such value with those of the competitors of our customers. Under the "Feedback" principle, we monitor (i) the search frequency of the variety shows and the brands of our customers; (ii) the number of newsfeeds relating to the variety shows and the brands of our customers; and (iii) the number of views of such newsfeeds on social media platforms and other online platforms.

The development cost of our RIF Model was estimated as approximately RMB345,000 incurred in 2014 and 2015, which primarily consisted of our staff costs and the fee to acquire the relevant industry data. We did not incur large amount of data acquisition fee when developing the RIF Model as (i) our Group primarily used data searched in the public domain in formulating the analytical model; (ii) the RIF Model is just an analytical model showing the methodology and procedures in evaluating TV advertising solutions, instead of a data base, which was developed based on not only the purchased quantitative data, but also the management's experience in applying the methodologies in evaluation; and (iii) the application of RIF Model is limited to evaluating TV advertising solutions, but not online and outdoor advertising solutions.

Marketing and promotion

Our strategy formulation department is also responsible for the marketing and the promotion of our Group by (i) setting up a public account on a social media platform to post our advertisements, research results and articles; and (ii) publishing our advertisements, articles and successful case studies in journals of the advertising industry in the PRC.

2. Media Operation

Our media operation department is mainly responsible for (i) sourcing advertising resources from suppliers; and (ii) executing and monitoring the implementation of an advertising solution.

Sourcing advertising resources

For TV advertising resources, our media operation department gathers information of advertising resources available such as variety shows to be broadcast in the coming year, TV advertising time slots and the types of soft-sell TV advertisements through (i) attending yearly or half-yearly advertising resources conference organised by TV stations; and (ii) communicating with the staff in TV stations closely. We consolidate such information and formulate a master list showing all the advertising resources available in each TV station and circulate to our staff regularly. Our media operation department will communicate with the sales department and strategy formulation department on customers' demand and make suggestions on the advertising resources available. Once confirmed by our customer, we will source the advertising resources from the relevant suppliers and negotiate with them.

For online and outdoor advertising resources, we generally offer our customers options on the types of online and outdoor advertising resources and the advertising platforms available based on the demand, marketing objectives and target consumers of our customers. Our customers are able to access to a broad range of advertising resources due to our long-standing relationships with the suppliers and supplier network. After our customers have confirmed the types of advertising resources they would like to acquire, we will source the advertising resources from our suppliers for advertisement executions. In addition, as some of our customers have already decided the types, forms and platforms for placing their online or outdoor advertisements before engaging us, our Group can assist customers to identify the relevant suppliers and source the specific advertising resources for our customers in an effective way.

Advertising resources

We generally purchase advertising resources from suppliers for executing advertising solutions after our customers having confirmed the types and the amount of advertising resources they would like to acquire. Therefore, our advertising resources were purchased upon receiving customers' instructions on the amount of advertising resources required, without pre-purchasing any resources as inventories from the suppliers during the Track Record Period. For some of our online advertising resources, the actual amount of resources we purchased is confirmed after the execution of the online advertising solutions, such as the number of impression and click.

(i) TV advertising resources

The following table sets forth the amount of TV advertising resources purchased from suppliers and offered to customers and their respective procuring cost during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2016	**2017**	**2018**	**2019**
Hard-sell TV advertising resources				
Airtime (Minute)	5,191	28,725	21,073	3,762
Cost (RMB'000)	147,478	271,690	264,123	90,998
Soft-sell TV advertising resources				
Number of soft-sell advertising rights (Note)	92	659	827	41
Cost (RMB'000)	117,623	255,463	204,063	19,135

Note: Consistent with the industry practice, soft-sell TV advertisements are generally counted by the number of soft-sell advertising rights being purchased, instead of by airtime. Each soft-sell advertising right refers to a particular right such as title sponsorship and product placement in an episode of a variety show or TV series.

(ii) Online advertising resources

During the Track Record Period, our customers generally place their advertisements on online platforms such as Baidu.com, Alibaba, Tencent, Toutiao.com and their subsidiaries, and a leading online music platform in the PRC, websites of mobile games and mobile applications. The cost of revenue related to the advertising rights on Baidu.com, Alibaba, Tencent, Toutiao.com and their subsidiaries, which accounted for over 80% of the total online traffic, were approximately RMB3.5 million, RMB0.1 million, RMB108.6 million and RMB108.1 million for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively.

The following table sets forth the amount of online advertising resources purchased from suppliers and offered to our five largest customers of our online advertising services, the revenue of which accounted for approximately 100.0%, 100.0%, 89.4% and 98.2% of the total revenue generated from our online advertising services, respectively, during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2016	**2017**	**2018**	**2019**
Types of online advertising resources				
Number of impression	125,345,000	833,859,000	8,074,184,460	5,628,759,333
Number of click	—	—	22,558,556	48,358,070
Number of download	—	8,011,090	—	—
Number of account being registered	5,406	—	—	—
Display of advertisements (Hour)	32	—	—	—

(iii) Outdoor advertising resources

The following table sets forth the amount of outdoor advertising resources purchased from suppliers and offered to customers during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2016	**2017**	**2018**	**2019**
Types of advertisements	*(Frequency)*	*(Frequency)*	*(Frequency)*	*(Frequency)*
Print or LED advertisements on or in buildings[1]	—	98	100,807	139,044
TV advertisements in subways[2]	—	—	7,843	31,774
Others[3]	—	644	17,398	2,683

Notes:

1. Each time refers to an hour.

2. Each time refers to a broadcast of an advertisement.

3. Each time refers to a day for advertisement placement. Others include advertising light boxes in car shelters, advertisements on highway and inside subway cars.

Executing advertising solutions

For the execution of hard-sell TV, online and outdoor advertising solutions, our media operation department is primarily responsible for coordinating with the relevant suppliers and executing the advertising solutions according to the execution plan as stated in the contract with our customers. For soft-sell TV advertisements, our media operation department will ensure the advertisements will be implanted and delivered effectively by (i) coordinating with the relevant TV stations and production teams before and during the shooting; (ii) monitoring the execution process of the advertising solutions during the shooting process to ensure the advertised products and/or advertising information are properly implanted in the relevant set of the variety shows or the relevant scene of the TV series; and (iii) previewing video clips showing the relevant soft-sell advertisements being implanted in the variety shows during the editing process.

For online advertisements, our suppliers will provide us either (i) an online account for customers to check the execution status or the record of the advertisements; and/or (ii) a monthly statement showing the number of clicks or impressions each month.

For outdoor advertisements, our suppliers will provide us proof of execution such as execution reports with photos showing the advertisements had been placed on the relevant outdoor platforms.

3. Sales and Marketing

Our sales department is mainly responsible for exploring new customers, communicating with and maintaining existing customers, gathering information of the customers and recording their needs, marketing objectives and budgets and passes such information to our strategy formulation department, as well as presenting the final advertising solution proposal to our customers. In addition, our sales team assists our strategy formulation department and media operation department to conduct analysis on customers' specific needs, formulate advertising solutions and make suggestions on the advertising resources. It also assists other departments in communicating with our customers.

We believe effective marketing is essential to us in increasing our market share and attracting potential customers. The following sets out our sales and marketing strategies:

Identifying and communicating with customers

We contact potential customers through making phone calls based on the market data available including information of market players in different industries. We will then build up relationships with these potential customers through providing relevant industry data, offering preliminary advertising proposals or samples and conducting site visits.

We communicate with existing customers regularly to understand their specific needs, obtain feedbacks on our advertising services and get a better understanding on the market trend.

The following table sets out the number of and the breakdown of revenue by new and recurring customers during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April	
	2016		2017		2018		2019	
	Number	Revenue *RMB'000*	Number	Revenue *RMB'000*	Number	Revenue *RMB'000*	Number	Revenue *RMB'000*
Recurring customers[(2)]	17	258,175	15	532,626	17	624,564	22	257,539
New customers[(1)]	10	54,907	12	127,987	12	158,800	4	10,865
Total	27	313,082	27	660,613	29	783,364	26	268,404

Notes:

1. New customers at a certain year/period refer to customers which engaged our Group for advertising services for the first time in this year/period, since our incorporation in 2003.

2. Recurring customers at a certain year/period refer to customers which engaged our Group for advertising services for the first time prior to this year/period, since our incorporation in 2003.

For the year ended 31 December 2017 and 2018, there was an increase in the revenue generated from new customers, primarily due to the new customers of our online and outdoor advertising services as a result of the expansion of these two advertising services.

Identifying potential customers through tendering

We sometimes identify potential customers and projects through tendering. We identify tender invitations through (i) communicating with potential customers regularly to keep ourselves aware of any possibilities of tender invitations given by such customers; and (ii) exploring public tender invitations through public information available. In respect of tenders, our sales department will submit tender application documents together with a proposal formulated by our Group. Our various departments collaborate in the tender process to formulate customised proposals, which will generally set out the available advertising resources and our recommended advertising solutions, after conducting data analysis and considering the budget and characteristics of the potential customers. We have cross-departmental collaboration in the tender process so that we benefit from each department's areas of expertise to enhance our competitiveness. We are generally required to submit tender documents including the proposal and the authorisation certificate issued by the relevant suppliers such as TV stations or their advertising agents authorising our Group the rights to deal with the advertising resources owned by such suppliers.

For the three years ended 31 December 2018, we had revenue generated from tenders of approximately RMB28.1 million, RMB327.8 million and RMB256.6 million, representing approximately 9.0%, 49.6% and 32.8% of our total revenue, respectively. For the corresponding period, we had a success rate of tenders of approximately 50.0%, 85.7% and 42.9%, respectively, in terms of number of tenders. For the four months ended 30 April 2019, we made two tender applications and had a success rate of tenders of 50.0%. We did not generate any revenue from the successful tender for the four months ended 30 April 2019.

EXCLUSIVE SOFT-SELL ADVERTISING RIGHTS IN THE PARENT-CHILD VARIETY SHOW

Given China's parent-child market has witnessed a rapid growth over the past few years, we leveraged on our years of experience in the TV advertising industry to expand and enhance our soft-sell advertising services through targeting a specific group of consumers (i.e. parents) to capture the advertising business opportunities in this potential market. Our Group contracted with a TV station in Beijing for the soft-sell advertising rights in the Parent-child Variety Show in November 2018. It is a parent-child variety show in which the hosts and the relevant experts provide professional advice on parenting, which is expected to have 104 episodes. The show has been broadcast on a local TV channel on a weekly basis and subway TV in Beijing since January 2019. According to the contract, our Group is responsible for offering ideas for the content of the Parent-child Variety Show and the TV station is responsible for its overall production. Both the TV station and our Group owned the copyright of the Parent-child Variety Show. We have acquired the exclusive right to deal with the soft-sell TV advertising rights in the show including but not limited to title sponsorship and the right to implant a eight-minute tailor-made video in which the advertised brands, products or services of our customers could be placed in each episode.

Due to our higher degree of control over the advertising resources in the Parent-child Variety Show, we could attract potential customers through (i) offering our customers more options in the implantation methods of the soft-sell advertisements in the Parent-child Variety Show; and (ii) formulating content and ideas in the show tailor-made for our customers. Our Directors believe that we could accumulate audience from the Parent-child Variety Show, especially parents, and explore potential ways to develop advertising methods through the show.

The term of the contract starts from 1 December 2018 to 31 December 2020, and was extended to 30 June 2021 due to the change of broadcasting timetable. Our Group is required to pay RMB10.0 million to the TV station according to the number of episode broadcasted. As at the Latest Practicable Date, 20 episodes were broadcasted and we have paid approximately RMB3.0 million to the TV station, including a deposit of RMB1.0 million, which will be deducted from our payment to the TV station during the term.

As at the Latest Practicable Date, we contracted with three customers in education, pharmaceuticals and food industries for implanting soft-sell advertisements in the Parent-child Variety Show with an aggregate contract value of RMB10.5 million and approximately RMB3.1 million was recognised. We also discussed with 16 potential customers primarily from education, internet, tourism, pharmaceuticals and fashion industries targeting at parents, young adults or children regarding the advertising resources in the show.

INVESTMENT IN TV SERIES, INTERNET DRAMAS AND MOVIES

According to the CIC Report, there is a prosperous market for investment in TV series, internet dramas and movies in China as the total sales revenue of TV series and the total revenue of online video programmes increased significantly from 2014 to 2018. In view of (i) the potential growth in the TV series and online video programme market; (ii) the opportunity to gain more experience and knowledge on the implantation of soft-sell advertisements in TV series, internet dramas and movies; and (iii) our intention to seek synergy effect between our soft-sell advertising business and investment in TV series, internet dramas and movies (e.g. potential opportunities in implanting soft-sell advertisements in the TV series, internet dramas and movies we invested, and at the same time, to offer our customers more options on the advertising resources and implantation methods of the soft-sell advertisements in the TV series, internet dramas and movies, our Group began to invest in the TV series, internet dramas and movies.

We generally identified investment opportunities in TV series, internet dramas and movies through communicating with production firms on potential TV series, internet dramas and movies they are preparing. We did not involve in the production of such TV series, internet dramas and movies. During the Track Record Period, our Group entered into four investment agreements with producers or writers of the TV series, internet dramas or movies on a project basis. The following table sets forth the details of our four investments in TV series, internet dramas and movies:

	Agreement A	Agreement B	Agreement C	Agreement D
Date of agreement	16 November 2015 (as supplemented on 1 March 2016)	31 October 2017 (as supplemented on 21 December 2018)	25 January 2018 (as supplemented on 28 December 2018)	16 April 2018
Nature	TV series	Internet drama	TV series	Internet movie
Contractual term	No definite term.	From date of agreement until three financial years after the expected year of release in 2018.	From date of agreement until three financial years after the expected year of release in 2019.	No definite term.
Investment amount	RMB25.0 million[1]	RMB13.0 million	RMB20.0 million	RMB1.05 million
Terms of payment	Lump sum payment within 30 days from the date of agreement.	Lump sum payment within seven days from the date of agreement.	Lump sum payment within seven days from the date of agreement.	By three instalments.
Status	Completed shooting and broadcasting in 2016. The investment amount was returned in 2016.	Completed shooting and broadcasting as at the Latest Practicable Date.	In the process of pre-shooting preparation as at the Latest Practicable Date.	Completed shooting and broadcasting as at the Latest Practicable Date.
Expected rate of return	Fixed rate of return of 20.0% of the investment amount according to the supplemental agreement, income of which are categorised as other income.	Fixed rate of return of 18.0% for the period from 1 January 2019 to 31 December 2020 according to the supplemental agreement, income of which are categorised as other income.	No fixed rate of return. Interest based on the percentage of our investment, and income generated from the distribution of the TV series and the sale of advertising resources. Our Directors estimated that the expected rate of return was approximately 18.0%[2].	No fixed rate of return. 15.0% interest in income generated from the distribution of the movie on online platforms and the sale of advertising resources. Our Directors estimated that the expected rate of return was approximately 18.0%[2].

	Agreement A	Agreement B	Agreement C	Agreement D
Gain/(loss) associated with the investments	Other gains of approximately RMB4.7 million as fair value change of financial assets at FVTPL recognised for the year ended 31 December 2016.	Other gains of approximately RMB373,000 recognised as accrued interest income on loan receivable for the four months ended 30 April 2019.	Other losses of approximately RMB560,000 as fair value change of financial assets at FVTPL recognised for the four months ended 30 April 2019.	No income and other gains and losses was recognised during the Track Record Period.
Accounting treatment during the Track Record Period	Disposed in 2016	**Financial assets at FVTPL:** Approximately RMB13.0 million as at 31 December 2017. **Loan receivable:** Approximately RMB13.0 million recognised as at 31 December 2018[3]. Approximately RMB12.9 million recognised as at 30 April 2019.	**Financial assets at FVTPL:** Approximately RMB5.0 million as at 31 December 2018, and RMB19.4 million as at 30 April 2019.	**Financial assets at FVTPL:** Approximately RMB1.05 million as at 31 December 2018 and 30 April 2019.

Notes:

1. The initial investment amount according to the agreement dated 16 November 2015 was RMB37.0 million, which was then reduced to RMB25.0 million according to the supplemental agreement dated 1 March 2016 after the withdrawal of the investment amount of RMB12.0 million.

2. The expected rate of return of Agreement C and Agreement D were estimated based on the capital assets pricing model and taking into consideration the risk-free rate, the estimated market return which was determined based on the market expectation and required rate of return for similar business of listed comparables in the PRC, estimated beta of business which is determined with reference to betas and capital structures of comparable guideline public companies with similar business in the PRC, the general economic outlook and the historical rate of return of our four investments.

3. On 21 December 2018, a supplemental agreement was signed which entitled our Group to a fixed rate of return of 18.0% for the period from 1 January 2019 to 31 December 2020. In view of the significant modification of the contractual cash flows of the investment as of 21 December 2018, the financial asset at FVTPL with a carrying amount of RMB13.0 million is derecognised and a loan receivable is recognised accordingly. No gain or loss is recognised from the derecognition.

As advised by our PRC Legal Advisers, our investment in the relevant TV series and internet dramas and movies does not fall within the 2019 Negative List which prohibits foreign investors from holding any equity interest in PRC film production companies and radio and television programme production companies as we solely act as a pure investor in the TV series, internet dramas or movies project without holding any equity interest in the relevant production companies.

As investment in TV series, internet dramas and movies is not one of our principal business, we will only consider such investments on a case-by-case basis if our Group identified TV series, internet dramas and movies with high quality. We will then make decision according to the investment policy of our Group as described below. As at the Latest Practicable Date, our Group did not identify any other TV series, internet drama or movie for investment.

Investment policy

We have adopted an investment policy to ensure proper selection and monitoring of our investments. Under this policy, our project operation department is responsible for the identification and the preliminary selection of the TV series, internet dramas and movies to be invested. The department selects our investments based on following factors including:

- liquidity position of our Group;
- credibility of the counterparty of the investment agreement;
- project portfolio and experience of the producer, the writer and the production team (i.e. expected to have experiences with at least three TV series or internet dramas broadcasted in first-tier media platforms such as first-tier provincial satellite TV stations and online videos platforms with high viewing rate, or movies with box office results exceeding RMB100.0 million);
- quality of the scripts;
- genre of the TV series, internet dramas or movies taking into account the policies issued by the PRC government; and
- acting skills and the popularity of the cast, taking in account their portfolio and viewership of the TV series, internet dramas and movies they are involved previously.

The department will further collect relevant information to verify the potential investment projects and assess the risk of such investments. The recommendations on TV series, internet dramas or movies by the project operation department will then be transferred to our Board for consideration and approval.

Besides considering the abovementioned qualitative and quantitative factors, our Board further reviews and assesses other factors such as the expected returns of the investments with similar investments in the market, and the track record and experience of the relevant producers and production teams with at least three TV series or internet dramas broadcasted in first-tier media platforms with high viewing rate, or movies with box office results exceeding RMB100.0 million. Our Directors will consider investing in TV series, internet dramas and movies with an expected return of at least 15.0%. Furthermore, if a customer shows a strong intention to implant their products in a particular TV series, internet drama or movie, we will also consider investing in such TV series, internet drama or movie as it is easier to acquire the relevant exclusive soft-sell advertising rights. The investment decision will be made after the consideration and the approval of our Board. Our project operation department is responsible for monitoring our investments on a continual basis and reporting to our Board regarding any updates on the progress of the TV series, internet dramas and movies we invested.

PRICING POLICY

We formulate and adjust our pricing policy in accordance with industry information and market trends. We generally determine our service fee based on a cost-plus approach with reference to the costs of acquiring the advertising resources. Consistent with industry practice, the cost, thus the fee for various forms of advertising resources ranges widely depending on its nature and distribution platforms. For example, the price of TV advertising time slots and soft-sell TV advertisements in the different TV channels may vary depending on the nature of the variety shows or whether it is broadcast during prime time. The cost, and thus the price of TV advertising resources in prime time on popular TV channels is generally much higher. Similarly, the cost and the price of online and outdoor advertisements may also vary depending on their distribution platforms.

We may adjust the price on a case-by-case basis, taking into account other factors including (i) the estimated time to be spent and the complexity of the project, such as the number of employees to be involved in the project and customers' requirements; (ii) the services we provide and the advertising budgets of our customers; and (iii) future business opportunities with the customers. For instance, we may set a higher price for complex advertising projects which require more manpower, thus increasing our costs in offering the advertising services. We may set a lower price for customers with a high demand or new customers in order to establish long-standing relationships with such customers, which may in turn lower the gross profit margin of such advertising project. We may sometimes give a lower price to customers with a high industry ranking and reputation in order to maintain long-term relationships with them. Therefore, our pricing, hence our gross profit margin, may differ.

CREDIT POLICY AND PAYMENT METHODS

Our Group adopts prudent credit control procedures and we regularly monitor settlement of our receivables. The credit period granted to our customers are generally determined with reference to, among others, the financial position, credit record, duration of business relationship and the types of services we provide. Credit and payment terms may vary for different customers and projects. We generally issue invoices to our customers after executing the advertising solutions according to the contracts.

For TV advertising services, our Group generally delivers broadcast confirmations issued by TV stations and/or broadcasting reports from third party market research companies to our customers within three to 30 days, together with our invoice, after the broadcast of the TV advertisements. We generally provide credit periods ranging from three to 90 days after the execution of TV advertising solution and the receipt of broadcast confirmations and/or broadcasting reports by customers. Our revenue was recognised when the TV advertisements was broadcasted and verified by reports issued by third party market research companies or by customer's confirmation. For a few customers for our TV advertising services, payment by instalments or in full prior to the execution is required sometimes. For some contracts with a relatively large contract sum from one of our major customers, we negotiated with that customer for partial payments in advance before the execution of the TV advertising projects in view of our prepayments to suppliers.

For online advertising services, our Group generally issues monthly statement and invoice within five to 15 days after the end of each month, and provides credit periods ranging from five to 60 days after the execution of the online advertising solution each month. Our revenue was recognised when impressions or clicks agreed in the contracts are performed. Such performance will be confirmed by the monthly issuance of execution confirmation together with execution data provided by the supplier. For a few customers, our Group receives prepayment before services are provided and the amounts are deducted based on monthly services provided.

For outdoor advertising services, we generally require our customers to settle our payment by two instalments within one to two months upon signing of contract and upon final execution of the advertising solution. We issue advertising execution schedules to our customers for confirmation once after the completion of each outdoor advertising solution. We generally provide proof of execution and issue invoice within five to 30 days after the final execution and our revenue was recognised when the advertising execution schedule was confirmed by our customers. Please refer to the paragraph headed "Customers — Agreements with our customers" in this section for further details on our payment terms for different types of advertising solutions.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, our total trade and notes receivables were approximately RMB48.8 million, RMB69.4 million, RMB147.5 million and RMB155.5 million, respectively, of which approximately RMB31.6 million, RMB36.6 million, nil and nil were past due but not impaired as we have considered the credit history including default in payments, settlement records and subsequent settlements and any changes in the creditability of our customers. During the Track Record Period, our provision for impairment, net of reversals, on trade receivables were nil, nil, approximately RMB1.0 million and RMB0.6 million, respectively. We will continue to closely monitor the settlement status of our trade and notes receivables and regularly review the credit terms.

Our revenue are all denominated in RMB and are generally settled by our customers by way of bank transfer.

CUSTOMERS

Our customers include advertisers (either brand owners or advertising companies controlled by the brand owners) and advertising agents in the PRC. We contracted with either advertisers or advertising agents for promoting the brands, products and services of the advertisers. According to the CIC Report, it is not uncommon that a customer of an advertising service provider is another advertising company engaged by the advertiser as its agent. As different advertising agents possess different advertising resources and supplier network, advertising agents may choose to procure advertising resources and services from another advertising service provider.

The following table sets out a breakdown of the revenue by customer type during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* (unaudited)	*(%)*	*RMB'000*	*(%)*
Advertisers	272,995	87.2	574,511	87.0	516,245	65.9	185,394	87.5	219,617	81.8
Advertising agents	40,087	12.8	86,101	13.0	267,119	34.1	26,536	12.5	48,787	18.2
Total	313,082	100.0	660,612	100.0	783,364	100.0	211,930	100.0	268,404	100.0

For the year ended 31 December 2018, the revenue contributed by our agent customers increased significantly which was mainly due to our expansion in online advertising business through advertising agent customers.

During the Track Record Period, we had served advertisers in the PRC, either directly or through their advertising agents, for the promotion of various products or services. The table below sets forth the revenue breakdown by categories of products or services being advertised (which we served directly or through advertising agents) during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Household furnishing and electronics	133,531	42.7	249,206	37.7	258,718	33.0	76,958	36.3	20,155	7.5
Foods and Beverages	125,392	40.1	262,147	39.7	210,429	26.9	89,790	42.4	64,024	23.9
Telecommunications	—	—	51,839	7.8	30,506	3.9	16,539	4.5	19,184	7.1
Internet and mobile games	4,334	1.4	33,148	5.0	183,695	23.4	9,648	7.8	133,487	49.7
Pharmaceuticals	20,282	6.5	27,148	4.1	52,852	6.7	16,659	7.9	11,527	4.3
Automobile	18,852	6.0	29,738	4.5	26,314	3.4	—	—	1,785	0.7
Others *(Note)*	10,691	3.3	7,386	1.2	20,850	2.7	2,336	1.1	18,242	6.8
Total	313,082	100.0	660,612	100.0	783,364	100.0	211,930	100.0	268,404	100.0

Note: Others primarily include products or services being advertised from banking, chemicals, tourism, glasses and education sectors.

For the year ended 31 December 2016, 2017 and 2018, household furnishing and electronics and foods and beverages sectors are our two largest revenue contributors, which in aggregate generated approximately 82.8%, 77.4% and 59.9% of our total revenue. The increase in revenue of these two sectors from 2016 to 2017 was mainly due to the increase in their demand in placing advertisements on provincial satellite TV stations. The revenue contribution from household furnishing and electronics and foods and beverages sectors decreased for the four months ended 30 April 2019, primarily due to (i) the decrease in contract sum of the TV advertising project for the Chinese New Year in 2019 from a major customer in ready-to-drink tea industry; and (ii) the decrease in revenue from a customer in refrigeration appliances industry as it was seeking new or appropriate advertising resources in variety shows in the corresponding period. Subsequently, this customer in the refrigeration appliances industry signed framework agreement with us in May 2019 for our TV advertising services and approximately RMB10.9 million was recognised subsequent to the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, the revenue generated from internet and mobile games sector increased due to the increase in revenue of our online advertising services from internet customers and mobile games companies or their agents. This sector contributed approximately 23.4% and 49.7% of our total revenue for the year ended 31 December 2018 and for the four months ended 30 April 2019, respectively.

For the year ended 31 December 2017, we had revenue of approximately 7.8% of our total revenue from telecommunications services sector as we have established business relationship with a new customer who is one of the industry leaders in such sector. For the four months ended 30 April 2018 and 2019, approximately 4.5% and 7.1% of our total revenue, respectively, were generated from telecommunication services as the relevant customer increased its demand for both our TV and online advertising services for the four months ended 30 April 2019.

The table below sets out the background of our Group's five largest customers based on the ranking in terms of revenue during the Track Record Period:

Rank	Name of Customer	Background	Principal services provided by our Group	Year of commencement of business relationship with our Group	Settlement terms	Revenue	Percentage of our Group's revenue
						RMB'000 *(approximately)*	*%* *(approximately)*
For the year ended 31 December 2016							
1	Customer A	An advertiser of the brand "Wanglaoji" (王老吉), a brand to promote a ready-to-drink herbal tea in the PRC. Its holding company is listed on the Stock Exchange and the Shanghai Stock Exchange with revenue of approximately RMB42.2 billion for the year ended 31 December 2018	TV advertising services	2007	Generally settle within 60 days after execution	92,890	29.7%
2	Customer B	An advertiser of a leading kitchen appliances manufacturer headquartered in Ningbo with registered capital of approximately RMB50.0 million	TV advertising services	2008	Generally prepay before execution	66,851	21.4%

Rank	Name of Customer	Background	Principal services provided by our Group	Year of commencement of business relationship with our Group	Settlement terms	Revenue *RMB'000* *(approximately)*	Percentage of our Group's revenue *%* *(approximately)*
3	Customer C	Advertisers of a home appliances manufacturer headquartered in Qingdao, their holding companies are listed on the Shanghai Stock Exchange, CEINEX D-Share Market and/or the Stock Exchange with revenue of approximately RMB183.3 billion and RMB85.3 billion, respectively, for the year ended 31 December 2018	TV advertising services	2004	Generally settle within 90 days after execution	47,130	15.1%
4	Customer D	A pharmaceutical company in PRC with registered capital of approximately RMB97.2 million	TV advertising services	2016	Generally settle within 30 days after execution	20,282	6.4%
5	Customer E	An advertising company in the PRC and its holding company is listed on the Shanghai Stock Exchange with revenue of approximately RMB12.1 billion for the year ended 31 December 2018	TV advertising services	2016	Generally prepay before execution	18,935	6.0%
						246,088	78.6%

Rank	Name of Customer	Background	Principal services provided by our Group	Year of commencement of business relationship with our Group	Settlement terms	Revenue *RMB'000* *(approximately)*	Percentage of our Group's revenue *%* *(approximately)*
For the year ended 31 December 2017							
1	Customer A	An advertiser of the brand "Wanglaoji" (王老吉), a brand to promote a ready-to-drink herbal tea in the PRC. Its holding company is listed on the Stock Exchange and the Shanghai Stock Exchange with revenue of approximately RMB42.2 billion for the year ended 31 December 2018	TV advertising services	2007	Generally settle within 60 days after execution	255,784	38.7%
2	Customer B	An advertiser of a leading kitchen appliances manufacturer headquartered in Ningbo with registered capital of approximately RMB50.0 million	TV advertising services	2008	Generally prepay before execution	183,228	27.7%

Rank	Name of Customer	Background	Principal services provided by our Group	Year of commencement of business relationship with our Group	Settlement terms	Revenue *RMB'000* *(approximately)*	Percentage of our Group's revenue *%* *(approximately)*
3	Customer F	A telecommunications services provider and its holding company is listed on the Stock Exchange and the New York Stock Exchange with revenue of approximately RMB736.8 billion for the year ended 31 December 2018	TV advertising services and online advertising services	2017	Generally settle within 70 days after execution	51,839	7.8%
4	Customer C	Advertisers of a home appliances manufacturer headquartered in Qingdao, their holding companies are listed on the Shanghai Stock Exchange, CEINEX D-Share Market and/or the Stock Exchange with 2018 revenue of approximately RMB183.3 billion and RMB85.3 billion, respectively, for the year ended 31 December 2018	TV advertising services	2004	Generally settle within 90 days after execution	44,154	6.7%
5	Customer G	Advertisers of a motor vehicle manufacturer in the PRC and their holding company is listed on the Stock Exchange and the Shanghai Stock Exchange with revenue of approximately RMB99.2 billion for the year ended 31 December 2018	TV advertising services	2007 *(Note)*	Generally settle within 45 days after execution	25,665	4.0%
						560,670	84.9%

Note: We provided advertising services to this customer intermittently for four years since 2007.

Rank	Name of Customer	Background	Principal services provided by our Group	Year of commencement of business relationship with our Group	Settlement terms	Revenue *RMB'000* *(approximately)*	Percentage of our Group's revenue *%* *(approximately)*
For the year ended 31 December 2018							
1	Customer A	An advertiser of the brand "Wanglaoji" (王老吉), a brand to promote a ready-to-drink herbal tea in the PRC. Its holding company is listed on the Stock Exchange and the Shanghai Stock Exchange with revenue of approximately RMB42.2 billion for the year ended 31 December 2018	TV advertising services	2007	Generally settle within 60 days after execution	189,550	24.2%

Rank	Name of Customer	Background	Principal services provided by our Group	Year of commencement of business relationship with our Group	Settlement terms	Revenue *RMB'000* *(approximately)*	Percentage of our Group's revenue *%* *(approximately)*
2	Customer B	An advertiser of a leading kitchen appliances manufacturer headquartered in Ningbo with registered capital of approximately RMB50.0 million	TV advertising services	2008	Generally prepay before execution	136,865	17.5%
3	Customer H	An advertising agent in the PRC listed on the NEEQ Equities Exchange and Quotations with registered capital of approximately RMB20.0 million	TV advertising services	2017	Generally prepay before execution	77,656	9.9%
4	Customer I	An online advertising agent in the PRC with registered capital of approximately RMB1.2 million	Online advertising services	2017	Generally settle within 32 days after execution	71,309	9.1%
5	Customer J	A pharmaceutical company in the PRC and is listed on the Shenzhen Stock Exchange with revenue of approximately RMB1.3 billion for the year ended 31 December 2018	TV advertising services and outdoor advertising services	2006 *(Note)*	Generally prepay before execution	51,998	6.6%
						527,378	67.3%

Note: We provided advertising services to this customer intermittently for approximately seven years since 2006.

Rank	Name of Customer	Background	Principal services provided by our Group	Year of commencement of business relationship with our Group	Settlement terms	Revenue *RMB'000* *(approximately)*	Percentage of our Group's revenue *%* *(approximately)*
For the four months ended 30 April 2019							
1	Customer K	A private company primarily engaged in providing online and mobile game services in the PRC with registered capital of RMB10.0 million	Online advertising services	2018	Generally settle within 60 days after execution	64,838	24.1%
2	Customer A	An advertiser of the brand "Wanglaoji" (王老吉), a brand to promote a ready-to-drink herbal tea in the PRC. Its holding company is listed on the Stock Exchange and the Shanghai Stock Exchange with revenue of approximately RMB42.2 billion for the year ended 31 December 2018	TV advertising services	2007	Generally settle within 90 days after execution	64,024	23.9%

Rank	Name of Customer	Background	Principal services provided by our Group	Year of commencement of business relationship with our Group	Settlement terms	Revenue	Percentage of our Group's revenue
						RMB'000 *(approximately)*	*%* *(approximately)*
3	Customer L	A private company primarily engaged in providing mobile marketing platform services in the PRC with registered capital of RMB50.0 million	TV and online advertising services	2018	Generally prepay before execution	25,767	9.6%
4	Customer M	A private company primarily engaged in providing online and mobile game services in the PRC with registered capital of RMB2.0 million	Online advertising services	2019	Generally settle within 60 days after execution	24,441	9.1%
5	Customer B	An advertiser of a leading kitchen appliances manufacturer Headquartered in Ningbo with registered capital of approximately RMB50.0 million	TV advertising services	2008	Generally prepay before execution	19,220	7.2%
						198,290	73.9%

The five largest customers of our Group during the Track Record Period are Independent Third Parties. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, the aggregate revenue attributable to our five largest customers in terms of revenue were approximately RMB246.1 million, RMB560.7 million, RMB527.4 million and RMB198.3 million, respectively, which accounted for approximately 78.6%, 84.9%, 67.3% and 73.9% of our total revenue, respectively. For the same period, revenue attributable to our largest customer in terms of revenue was approximately RMB92.9 million, RMB255.8 million, RMB189.6 million and RMB64.8 million, which accounted for approximately 29.7%, 38.7%, 24.2% and 24.1% of our total revenue, respectively. All of our five largest customers are based in the PRC.

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors, their close associates or any Shareholder, who owns more than 5% of the issued share capital of our Company, had any interest in any of the five largest customers of our Group during the Track Record Period. Our Group had not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties, nor had we experienced any material disputes with our customers causing material disruption to our business during the Track Record Period. During the Track Record Period, our Group did not receive any complaint from our customers which had materially and adversely affected our business nor did our Group pay any material compensation to our customers as a result of any compliant from our customers.

Agreements with our customers

We generally contracted with our customers on project basis through agreements or purchase orders. For certain customers in TV and online advertising, we entered into framework agreements to record our intention to engage with each other during the year. The contractual term of the framework agreements was one year. Details of the contract terms such as scope of services, consideration and terms of payment were generally stipulated on separate customer agreements or purchase orders.

The salient terms of the agreements or purchase orders we entered in business of each service type are summarised as follows:

	TV advertising	**Online advertising**	**Outdoor advertising**
Contractual term:	A fixed term ranging from one to 12 months.	A fixed term ranging from one to 12 months.	A fixed term ranging from one to six months.
Consideration:	A fixed consideration is stipulated.	Consideration calculated by CPM or CPC basis and depends on the actual number of impressions and clicks. *(Note)*	A fixed consideration is stipulated.
Terms of payment:	Payments are normally made in RMB by way of bank transfer.	Payments are normally made in RMB by way of bank transfer.	Payments are normally made in RMB by way of bank transfer.
	Generally within three to 90 days after execution. For a few customers, we demand payment by instalments or in full prior to execution and the receipt of broadcast confirmations and/or broadcasting reports by customers. For some contracts with a relatively large contract sum from one of our major customers, we negotiated with that customer for payments in advance before executing the TV advertising projects.	Generally within five to 60 days after execution. For a few customers, prepayment before execution is required and the amounts are deducted based on monthly execution statements.	Generally by two instalments within one to two months upon signing of contract and upon final execution.

	TV advertising	Online advertising	Outdoor advertising
Discount:	Nil.	A certain agreed percentage proportionate to the contract sum.	Nil.
Intellectual property rights:	Either customers or our Group (i) is responsible for obtaining authorisations from third parties to use any advertising materials with intellectual property rights; and (ii) will be fully liable for any such infringement.	Both customers and our Group are responsible for ensuring all the third party intellectual property rights would be obtained and the breaching party will be fully liable for the associated costs of such infringement.	Nil.
Legality of content:	The content of the advertisement and the way of expression provided by the customer should comply with the relevant laws and standards required. Our Group has the right to review the content of the advertisement and its way of expression and can require the customer to amend any non-compliant parts. The customer is liable for the legality of the content.		

Note: We entered into a framework agreement with minimum purchase requirement with an online advertising agent in 2018 which required such agent to purchase at least RMB100.0 million from our Group. As at the Latest Practicable Date, the term of the agreement was completed and the actual transaction amount was approximately RMB32.3 million. The shortfall was caused by the change of advertising strategy of our customer to lower its online advertising budget. We do not impose any penalty on the customer as the relevant supplier has waived the rights to impose any penalty on us regarding the same minimum purchase amount stipulated in the corresponding framework agreement with the supplier. Please refer to the paragraph headed "Agreements with our suppliers" in this section for further details.

Relationship with our major advertiser customers

As an established advertising services provider in the PRC, our major advertiser customers are generally large-scale national enterprises. During the Track Record Period, we provided advertising services to four major advertisers, Customer A, Customer B, Customer C, and Customer F, which, according to the CIC Report, are industry leaders in the markets of ready-to-drink tea, large kitchen appliances, refrigeration appliances and telecommunications services, respectively. The advertiser in telecommunications services industry was our new customer since 2017. The aggregate revenue generated from these four major advertiser customers accounted for approximately 66.1%, 81.0%, 48.9% and 38.2% of our total revenue during the Track Record Period. The transactions with our four major advertiser customers were entered into in the ordinary course of business and on normal commercial terms.

Top industry ranking of our major advertiser customers

According to the CIC Report, these four major advertiser customers had a market share of approximately 11.4%, 11.0% and 40.1% in the industries of ready-to-drink tea, large kitchen appliances, refrigeration appliances, respectively, in terms of sales volume, and approximately 52.5% in the telecommunication services industry in terms of sales revenue in 2018. They ranked within top three in their respective industry. As they are industry leaders with promising financial strengths, they generally have a stable budget and demand in advertising services. Furthermore, according to CIC Report, it is not uncommon for established advertising service providers to have a relatively high concentration of revenue as they usually tend to value advertisers of a larger scale and thus willing to establish long-term relationship with and provide advertising services to such advertisers.

Strong relationship with our major advertiser customers

As at the Latest Practicable Date, save for the advertiser customer in telecommunications services industry which was our new customer in 2017, we have successfully maintained years of business relationships ranging from ten to 14 years with the other three advertisers in ready-to-drink tea, large kitchen appliances and refrigeration appliances industries. Due to our quality advertising services provided, we were also awarded by one of our major customers, the advertiser of a leading kitchen appliances manufacturer (headquartered in Ningbo) as their "Excellent Supplier" (優秀供應商) in 2016.

Mutual reliance

Our Directors believe that the relationships between our Group and our four major advertiser customers is mutual and complementary. Despite the fact that we generated a considerable portion of our revenue from the four advertisers, such advertisers also rely on (i) our industry experience and expertise to formulate advertising solutions for the promotion of their brands, products or services; (ii) our capability to procure valuable advertising resources with high demand due to our long-standing relationship with the suppliers; (iii) our ability to execute the advertising solutions and evaluate the effectiveness of the advertising solutions. As we have established trust and understanding with these customers over the years, we are able to familiarise ourselves with our customers' corporate cultures, advertising budgets and preferences. Our Directors believe that these major advertiser customers might have difficulties in identifying other comparable trusted advertising service providers with established track record offering quality services similar to our Group in a short period of time. This in turn increases their reliance on our Group.

Diversification

Our Group has diversified our customer base by exploring business opportunities with advertisers in different business sectors such as telecommunications. We have also adopted a diversification strategy to expand our customer base through cooperating with more agent customers in online and outdoor advertising in 2018 so as to diversify our source of revenue.

SUPPLIERS

During the Track Record Period, we generally sourced advertising resources from advertising resources providers and advertising agents. Advertising resources providers (i.e ultimate advertising resources suppliers) are generally companies possessing advertising resources directly, examples of which include TV stations, owners of websites, search engines, social media platforms, and outdoor platforms. Advertising agents are advertising companies which source advertising resources from the ultimate advertising resources suppliers. As advertising agents may establish strong relationships with the relevant suppliers or possess some specific advertising resources, we engage these advertising agents as our suppliers, which is consistent with the industry practice according to the CIC Report.

We generally select our suppliers based on factors such as the price, the quality of the services provided by the advertising resources suppliers and their proven track record, our relationship with the advertising resources suppliers and the needs and requirements of our customers. During the Track Record Period, we did not experience any material shortage or delay of supply due to defaults of our suppliers.

The following tables set out certain information of our Group's five largest suppliers based on the ranking in respect of the cost of revenue during the Track Record Period:

Rank	Name of supplier	Background	Services provided by the supplier	Year of commencement of business relationship with our Group	Settlement terms	Cost of revenue	Percentage of our cost of revenue
						RMB'000 *(approximately)*	*%* *(approximately)*
For the year ended 31 December 2016							
1	Supplier A	A first-tier provincial satellite TV station in Zhejiang	Provision of TV advertising resources	2010	Generally prepay before broadcast	119,908	44.5%
2	Supplier B	A first-tier provincial satellite TV station in Jiangsu	Provision of TV advertising resources	2010	Generally prepay before broadcast	62,494	23.2%
3	Supplier C	A provincial satellite TV station in Anhui	Provision of TV advertising resources	2009	Generally prepay before broadcast	15,623	5.8%
4	Supplier D	A first-tier provincial satellite TV station in Shanghai	Provision of TV advertising resources	2010	Generally prepay before broadcast	10,526	3.9%
5	Supplier E	An advertising agent	Provision of advertising agency services for the procurement of TV advertising resources	2016	Generally prepay before broadcast	8,326	3.0%
						216,877	80.4%
For the year ended 31 December 2017							
1	Supplier A	A first-tier provincial satellite TV station in Zhejiang	Provision of TV advertising resources	2010	Generally prepay before broadcast	190,869	33.1%
2	Supplier D	A first-tier provincial satellite TV station in Shanghai	Provision of TV advertising resources	2010	Generally prepay before broadcast	97,110	16.8%
3	Supplier F	Advertising division of a first-tier provincial satellite TV station in Hunan	Provision of TV advertising resources	2007	Generally prepay before broadcast	43,307	7.5%
4	Supplier B	A first-tier provincial satellite TV station in Jiangsu	Provision of TV advertising resources	2010	Generally prepay before broadcast	35,367	6.1%
5	Supplier G	An advertising agent	Provision of advertising agency services for the procurement of TV advertising resources	2017	Generally prepay before broadcast	32,547	5.7%
						399,200	69.2%

Rank	Name of supplier	Background	Services provided by the supplier	Year of commencement of business relationship with our Group	Settlement terms	Cost of revenue	Percentage of our cost of revenue
						RMB'000 *(approximately)*	*%* *(approximately)*
For the year ended 31 December 2018							
1	Supplier A	A first-tier provincial satellite TV station in Zhejiang	Provision of TV advertising resources	2010	Generally prepay before broadcast	92,784	13.5%
2	Supplier H	An advertising agent	Provision of advertising agency services for the procurement of TV and outdoor advertising resources	2017	Generally prepay before execution	67,652	9.8%
3	Supplier F	Advertising division of a first-tier provincial satellite TV station in Hunan	Provision of TV advertising resources	2007	Generally prepay before broadcast	62,298	9.1%
4	Supplier B	A first-tier provincial satellite TV station in Jiangsu	Provision of TV advertising resources	2010	Generally prepay before broadcast	51,060	7.4%
5	Supplier I	An online advertising agent	Provision of advertising agency services for the procurement of online advertising resources	2018	Generally settle within 60 days after execution	49,716	7.2%
						323,510	47.0%
For the four months ended 30 April 2019							
1	Supplier I	An online advertising agent	Provision of advertising agency services for the procurement of online advertising resources	2018	Generally settle within 60 days after execution	84,784	35.1%
2	Supplier A	A first-tier provincial satellite TV station in Zhejiang	Provision of TV advertising resources	2010	Generally prepay before execution	35,109	14.5%
3	Supplier F	Advertising division of a first-tier provincial satellite TV station in Hunan	Provision of TV advertising resources	2007	Generally prepay before execution	33,520	13.9%
4	Supplier D	A first-tier provincial satellite TV station in Shanghai	Provision of TV advertising resources	2010	Generally prepay before execution	18,330	7.6%
5	Supplier J	An advertising agent	Provision of advertising agency services for the procurement of TV and outdoor advertising resources	2017	Generally prepay before execution	11,826	4.9%
						183,569	76.0%

During the Track Record Period, the cost of revenue related to our five largest suppliers in terms of cost of revenue accounted for approximately RMB216.9 million, RMB399.2 million, RMB323.5 million, and RMB183.6 million representing approximately 80.4%, 69.2%, 47.0% and 76.0% of our total cost of revenue, respectively. The cost of revenue related to our largest supplier in terms of cost of revenue in the corresponding period accounted for approximately RMB119.9 million, RMB190.9 million, RMB92.8

million and RMB84.8 million, representing approximately 44.5%, 33.1%, 13.5% and 35.1% of our total cost of revenue, respectively. To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors, their close associates or any Shareholders, who owns more than 5% of the share capital of our Company, had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Agreements with our suppliers

We generally contracted with our suppliers on project basis. For certain suppliers in TV and online advertising, we entered into framework agreements to engage with each other during the year. The contractual term of the framework agreements was one year. Details of the contract terms such as consideration and terms of payment were generally stipulated on separate supplier agreements.

The salient terms of the supplier agreements we entered into business of each service type are summarised as follows:

	TV advertising	**Online advertising**	**Outdoor advertising**
Contractual term:	A fixed term ranging from 15 days to 12 months.	A fixed term ranging from 18 days to 12 months.	A fixed term ranging from one to six months.
Consideration:	A fixed consideration is stipulated.	Consideration calculated by CPM or CPC basis and depends on the actual number of impressions and clicks.	A fixed consideration is stipulated.
Terms of payment:	Payments are normally made in RMB by way of bank transfer.	Payments are normally made in RMB by way of bank transfer.	Payments are normally made in RMB by way of bank transfer.
	Generally within three to 30 days prior to the broadcast. For a few TV station suppliers, a deposit is required sometimes and will be used to set off against the purchase.	Generally within two to 60 days after actual number of impression or click were calculated each month. For a few suppliers, prepayment before execution is required and the amounts are deducted based on monthly execution statements.	Generally full payment according to the payment schedule prior to execution.
Discount:	A certain percentage of the contract sum is offered as discount sometimes.	A certain percentage of the contract sum or several discount rates are stipulated for each purchasing amount met.	Nil.

	TV advertising	Online advertising	Outdoor advertising
Termination clauses:	Supplier can terminate the contract early if our payment is late for over three to 15 days.	Supplier can terminate the contract early if our payment is late for over 15 days.	Nil.
Intellectual property rights:	Our Group is responsible for ensuring all the third party intellectual property rights would be obtained and will be fully liable for any such infringement.	Our Group is responsible for ensuring all the third party intellectual property rights would be obtained and will be fully liable for any such infringement.	Nil.
Legality of content:	The supplier has the right to inspect the content of the advertisement. The supplier has the right to require our Group to carry out amendments necessary for complying with the relevant laws and standards. Our Group is liable for any damages caused by false or misleading content.		
Minimum purchase amount in framework agreement:	Generally nil[1].	Generally nil[2].	Nil.

Notes:

1. We entered into two framework agreements with minimum purchase amount of RMB105.0 million and RMB35.0 million with a TV station in 2017 and 2018. If we failed to meet the minimum purchase requirements, deposit would be forfeited and the TV station has the right to claim the outstanding sum from our Group. As at the Latest Practicable Date, the agreements were completed and the minimum purchase requirements in the agreements have been met.

2. We entered into a framework agreement with minimum purchase amount of RMB100.0 million with an online advertising resources supplier in 2018. If such amount was not met, deposit would be forfeited. As at the Latest Practicable Date, the term of the agreement was completed and the actual transaction amount was approximately RMB29.2 million. The shortfall was primarily due to the fact that the relevant customer, in the corresponding customer framework agreement with the same minimum purchase amount, changed its advertising strategy and lowered its online advertising budget. The relevant supplier has waived the rights to impose any penalty on us regarding the minimum purchase amount.

Save as disclosed above, during the Track Record Period, we did not enter into any other long-term contract with our suppliers. During the same period, none of our Group's five largest suppliers ceased or indicated that it would cease their supply to our Group, and our Group did not experience any material delay or interruption in securing advertising resources from our five largest suppliers or from other sources in the market.

Relationship with our major TV station suppliers

As an established TV advertising media services provider in the PRC, our major suppliers are generally first-tier provincial satellite TV stations. During the Track Record Period, we acquired advertising resources from four first-tier provincial satellite TV stations which, according to the CIC Report, are leading provincial satellite TV stations in the PRC. During the Track Record Period, the cost of revenue related to the four first-tier provincial satellite TV station suppliers accounted for approximately 71.6%, 63.5%, 37.2% and 36.1% of our total cost of revenue, respectively. The transactions with our four TV station suppliers were entered into in the ordinary course of business and on normal commercial terms.

Leading position of our major TV station suppliers

According to the CIC Report, our four major provincial satellite TV station suppliers had a total audience share of approximately 10.2% and an advertising revenue share of approximately 22.5% of the total advertising revenue of China's TV stations in 2017. Such provincial satellite TV stations have accumulated millions of viewers, which enables the advertisements of our customers to reach a wider range of target consumers, thus maximising the effect of our advertising solutions. Our customers generally have a higher demand for advertising sources from first-tier provincial satellite TV stations. As such, our Directors consider placing certain degree of reliance on our four TV station suppliers causes no harm to our Group.

Strong relationship with our major TV station suppliers

We have successfully maintained business relationships with the four first-tier provincial satellite TV station suppliers ranging from eight to 11 years as at the Latest Practicable Date. As we have established trust and understanding with these suppliers over the years, we are able to familiarise ourselves with our suppliers' advertising resources possessed and their execution procedures, which in turn allows us to secure the relevant advertising resources and execute the advertising solutions smoothly. Our Directors believe that our Group could continue to have a stable supply of advertising resources from them due to our long-standing relationships with the four TV station suppliers.

Mutual reliance

Our Directors believe that the relationship between our Group and the four first-tier provincial satellite TV station suppliers is mutual and complementary. Despite the fact that a considerable portion of our cost of revenue is related to the four TV stations, such TV stations also rely on us to secure cooperation with established advertisers for the sale of their advertising resources. According to the CIC Report, it is not uncommon that most of the advertising resources suppliers do not deal with advertisers directly. Our major TV station suppliers rely on us to sell the advertising resources to the advertisers as they prefer to work with advertising service providers which have established years of business relationship with them and have in-depth industry experience and expertise.

Diversification

As our Group has expanded our business to online and outdoor advertising during the Track Record Period, we have procured more advertising resources from the relevant online and outdoor advertising agents. As such, the reliance on our four major TV station suppliers has reduced gradually as shown from the decreasing trend of the cost of revenue related to our four major TV station suppliers.

OVERLAPPING OF OUR MAJOR CUSTOMER AND SUPPLIER

To the best knowledge of our Directors, one of our five largest customers in terms of revenue for the year ended 31 December 2016 was also our supplier (the "**Overlapping Customer**" or Customer E) during the Track Record Period. The Overlapping Customer was also an advertising service provider which was engaged by advertisers to procure advertising resources from advertising resources suppliers or through agents. According to the CIC Report, it is not uncommon that a customer of an advertising service provider is another advertising company engaged by the advertiser as its agent. As different advertising agents possess different advertising resources and suppliers network, advertising agents may choose to procure advertising resources and services from another advertising service provider because the advertising service provider may, for example, (i) have a stronger relationship with certain advertising resources suppliers possessing unique advertising resources; (ii) obtain more competitive terms from certain advertising resources suppliers; (iii) source certain advertising resources in an effective way; or (iv) provide various value-added advertising services. As a result, advertising services provider may become our customer and our supplier for particular projects in any particular period.

For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, the revenue generated from the Overlapping Customer was approximately RMB18.9 million, nil, RMB22.8 million and RMB1.1 million, representing approximately 6.0%, nil, 2.9% and 0.4% of our total revenue, respectively, as we primarily provided TV and outdoor advertising services to the Overlapping Customer. During the corresponding period, the average gross profit margin in respect of the advertising services provided to the Overlapping Customer was approximately 35.8%, nil, 3.2% and 12.2%, respectively. The relatively higher average gross profit margin for the year ended 31 December 2016 was mainly due to the relatively low cost of our advertising resources for a particular project after our successful negotiation with the TV station supplier for a lower cost, primarily because of the exceptional circumstance that the supplier's TV show of a previous project did not achieve the expected performance.

In respect of the Overlapping Customer as our supplier, for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, the cost of revenue related to our purchase of advertising resources from the Overlapping Customer was nil, approximately RMB15.4 million, RMB5.7 million and RMB7.0 million, representing nil, approximately 2.7%, 0.8% and 2.9% of our total cost of revenue, respectively, as we purchased primarily outdoor and TV advertising resources from the

Overlapping Customer. During the corresponding period, the average gross profit margin in respect of the advertising services purchased from the Overlapping Customer was nil, approximately 11.0%, 18.4% and 13.6%, respectively.

Our Directors confirmed that our sales and purchases with our Overlapping Customer were conducted in the ordinary course of business under normal commercial terms during the Track Record Period.

COMPETITION

The advertising industry in the PRC we operate is fragmented and highly competitive. We compete directly with other advertising service providers. We believe we are differentiated from our competitors in factors such as our relationships with renowned advertisers and first-tier provincial satellite TV stations, and our strategy formulation capabilities. Due to the increasing demand for multi-channel advertising services, we expect competition in the advertising industry to intensify.

SEASONALITY

Notwithstanding our advertising business is generally not subject to substantial seasonality changes, our revenue may be affected by seasonal fluctuation in the demand for our advertising services of our customers in different industries. Our Directors consider the demand for our advertising services from our advertiser customers relates to the consumption pattern of consumers on the advertised products or services. For example, the demand for drinks is higher in summer, and therefore the demand for our advertising services from our advertiser customers in the beverage industry will increase in this season. Besides, some of our major customers may place TV advertisements through us from the fourth quarter of the year to capture the potential business opportunities derived from the increased consumption demand of consumers before Chinese New Year.

QUALITY CONTROL

In order to ensure the advertisements provided by our customers is in full compliance with applicable PRC laws and regulations, we have adopted procedures to examine and verify the legality of the advertisements prior to the broadcast.

Our staff from the sales department will request our customers to provide certification documents and relevant permits approving the production of the advertised products issued by the relevant government authorities in the PRC for customers in certain industries such as food and beverages and pharmaceuticals industries. If a permit is required for the broadcast, the permit will be transferred to our media operation department. After checking the certification documents and/or permits, and the content of the advertisements, our media operation department will then pass the certification documents and permits, if any, and the advertisements to the relevant TV stations or suppliers in online or outdoor advertising for further examination on (i) the content of the advertisement; (ii) whether the advertisement will mislead the consumers; and (iii) whether the advertisement or banner is in line with the policy of the PRC government. In addition, it is our policy to ensure the contracts entered into with our customers to have clauses stipulating that customers who provided us the advertisements shall be liable for the legality of their content. Please refer to the paragraph headed "Customers — Agreements with our customers" for further details.

In respect of our quality control measures with regards to intellectual property infringements, our Group have adopted procedures to reduce the risk of intellectual property infringements. When we signed contracts with our customers, our staff from the sales department will request our customers to provide the advertisements and the related certification proving the ownership of the intellectual properties or authorisation approving the use of the relevant intellectual properties in the advertisements. After our media operation department has reviewed the certification or authorisation, such certification or authorisation will be passed to the TV stations, online or outdoor advertising resources suppliers for further examination on assessing the risk of intellectual property infringements, before the execution of the advertising solutions.

EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 73 full-time employees in the PRC, respectively. The table below sets out a breakdown of our full-time employees by functions as at the Latest Practicable Date:

Function	**Number of employees**
Management	5
Sales	22
Strategy formulation	12
Media operation	11
Project operation	4
Finance	11
Administration	5
Human resources	1
Corporate governance	2
Total	73

Our Group recruits additional personnel upon receiving requests from the department heads of our Group. We generally recruit our employees from the open market by placing recruitment advertisements on online recruitment websites. We evaluate the suitability of the applicants based on, among others, education background, capability and relevant working experiences.

The remuneration payable to our employees includes salaries and allowance, performance related bonuses and retirement benefits contributions. The salaries of our employees are generally determined by the employees' respective position, qualification, experience and performance. The performance related bonuses are calculated based on our employees' respective position, duration of services and performance of our employees. In order to attract and retain our employees, we assess the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made.

For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our total staff costs were approximately RMB11.3 million, RMB16.7 million, RMB17.8 million and RMB6.6 million, respectively.

We provide training programmes for all of our employees to enhance our employees' knowledge, skills and capability relevant to the advertising industry. All of our new hires will be provided with an induction programme to familiarise with our Group, followed by on-the-job training based on departmental needs and the development strategies of the Group. We also provide promotion opportunities for capable employees as we have policies and procedures setting out the assessment criteria for promotion.

Our Group does not have any labour unions. During the Track Record Period, our Group had not experienced any significant difficulties in recruiting employees, and had not experienced any strikes or significant labour disputes. Our Directors confirm that our Group's relationship with our employees is satisfactory in general. Our Directors consider that the management policies, working environment, career prospects and benefits extended to our employees have contributed to a good employee relations and employee retention rate.

Save as disclosed in the paragraph headed "Legal and Regulatory Compliance" in this section, as at the Latest Practicable Date, we believe we had complied with all applicable laws and regulations relating to social welfare and have paid in full the social security and housing provident fund contributions payable as required by the PRC laws and regulations.

HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

Due to the nature of our business, we believe that we are not subject to significant health, safety or environmental risks. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations in any material respect.

PROPERTIES

Leased Properties

As at the Latest Practicable Date, we have seven leased properties. Among the seven leased properties, we leased four properties with an aggregate gross floor area of approximately 1,220.24 square metres from Independent Third Parties in the PRC. Our leased properties are primarily used as premises for our offices and the lease agreements have expiration dates ranging from 2019 to 2022. Among the four lease agreements, two of the agreements were entered into in June 2019 for the lease of two premises as the office of Beijing Ruicheng and Beijing Lingyu from July 2019 to June 2022.

All of four lease agreements we entered into with our landlords had not been registered with relevant PRC government authorities. As advised by our PRC Legal Advisers, the validity and enforceability of the lease agreements would not be affected by the failure to register or file the lease agreements with the relevant government authorities. However, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As at the Latest Practicable Date, we had not received any such request from the relevant government authorities.

Among the above four lease agreements, the landlords of three of the lease agreements relating to the office of Beijing Ruicheng, the office of Beijing Lingyu and the office of Xizang Wanmei in Tibet failed to show the relevant property ownership certificate. As advised by our PRC Legal Advisers, as the landlords were unable to prove they have the right to lease the properties to our Group, Beijing Ruicheng, Beijing Lingyu and Xizang Wanmei may not be able to continue to use such properties. As we engage in service industry, our Directors believe that relocation of such offices will not have a material adverse effect on our Group.

As at the Latest Practicable Date, we entered into three rent-free lease agreements in respective of three properties with an aggregate gross floor area of approximately 45 square metres from Independent Third Parties in the PRC. The landlords did not require us to pay rents as our Group used such properties as the addresses of the registered offices of our subsidiaries only. Such lease agreements have expiration dates in 2019.

Among the three rent-free lease agreements, landlords of two of the lease agreements failed to prove they have the right to lease the properties for free to our Group by showing their respective property ownership certificate. As advised by our PRC Legal Advisers, our Group may not be able to continue to use such properties as our registered offices. Our Directors consider that changing the address of the registered offices of our Group will not have a material adverse effect on our Group.

Other property

During the Track Record Period, our Group owned one parcel of land with a site area of 539.08 sq. m. in Unit 101, 1/F and 2/F, No. 19 Building, West Dawang Road No. 20, Chaoyang District, Beijing, PRC* (北京朝陽區西大望路甲20號院19號樓–1至2層1單元101) (the "**Property**"). Pursuant to the demerger of Beijing Ruicheng under our Reorganisation, the Property is transferred to Beijing Yuehe and no longer the asset of our Group. Please refer to the section headed "History, reorganisation and corporate structure — Reorganisation" for further details. As at the Latest Practicable Date, the administrative procedures of the transfer of title of the Property to Beijing Yuehe has not been completed. Our PRC Legal Advisers confirmed that there is not any material legal impediment to complete the said transfer of title to Beijing Yuehe. Save as disclosed above, our Group does not have any other property interest as at the Latest Practicable Date.

INSURANCE

We currently lease seven properties as our offices or registered offices. As we are not required under the PRC law to maintain any property insurance for such offices, we did not purchase any insurance covering the leased properties. We do not maintain insurance coverage for non-performance of contract for our advertising services and other risks associated with our business, nor do we have business liability, business disruption or litigation insurance. Our Directors believe that our Group's insurance coverage is sufficient and consistent with the industry practice.

LICENSES AND PERMITS

As confirmed by our PRC Legal Advisers, as at the Latest Practicable Date, we had obtained all requisite licenses, permits and certificates necessary to conduct our operations in all material respects.

INTELLECTUAL PROPERTY

We use the trademarks "" and "瑞诚 RUICHENG" for the marketing and sales of our services. As at the Latest Practicable Date, we have registered "" and "瑞诚 RUICHENG" in the PRC and Hong Kong and had submitted seven applications for the registration of trademarks in the PRC and Hong Kong which we consider to be material to our operations. Details of our registered intellectual property rights are set out in the paragraph headed "B. Further information about the business — 2. Intellectual property rights" in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were the owner of three domain names. For details in relation to our domain names, please refer to the paragraph headed "B. Further information about the business — 2. Intellectual property rights" in Appendix IV to this prospectus.

As at the Latest Practicable Date, we have eight registered software copyrights. For details in relation to our software copyrights, please refer to the paragraph headed "B. Further information about the business — 2. Intellectual property rights" in Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, there were no material disputes or infringements in connection with our intellectual property rights pending or threatened against our Group which could have a material adverse effect on our operations or financial performance.

INFORMATION TECHNOLOGY

Our Directors believe that a comprehensive information system is important in improving our efficiency in administering and operating our business. We have in place an office automation system to support various aspects of our business operations, including (i) customer management in storing all relevant information of customers but allowing different level of staff to access to different kinds of information of a particular customer;

(ii) project management in planning the execution through division of work and tracking the status of each project and; and (iii) file management in keeping proper record of all our contracts.

Our Directors believe the office automation system increases both the quality and efficiency of our advertising services provided to customers.

AWARDS

During the Track Record Period, we have received awards for the quality of our advertising services. Some of the significant awards we have received are set forth below:

Year of Grant	Awards	Awarding body
May 2019	"19th IAI International Advertising Awards: Greater China Region Content Marketing Company of The Year"* (第十九屆IAI國際廣告獎 — 大中華區年度內容營銷公司)	IAI International Advertising Executive Committee
May 2019	"19th IAI International Advertising Awards: Advertising Agent and Advertiser Category — Mobile Marketing Case Mobile Application Class Bronze Prize"* (第十九屆IAI國際廣告獎 — 代理及廣告主組：移動營銷APP類銅獎)	IAI International Advertising Executive Committee
July 2018	"ADMEN International Awards: Practice Case in Category of Digital Marketing Gold Award" (ADMEN國際大獎 — 整合營銷實戰金案獎)	ADMEN International Awards Committee
July 2017	"ADMEN International Awards: Media Consolidation Practical Tactics Gold Prize"* (ADMEN國際大獎 — 媒介整合類實戰金案獎)	Worldwide Media Industry Association, Admen Culture Group and ADMEN international awards China organising Committee

Year of Grant	Awards	Awarding body
May 2017	"17th IAI International Advertising Awards: Excellent Award for Video Implants Case"* (第十七屆IAI國際廣告獎 — 視頻植入營銷類優秀獎)	IAI International Advertising Executive Committee
October 2016	"Main Advertising Award of 2016 Great Wall Awards of China: Annual Golden Partner" (2016中國廣告長城獎廣告主獎 — 年度金夥伴)	China Advertising Association (中國廣告協會)
April 2016	"Eighth China Advertising Golden Vision Awards: Gold Prize for TV Case"* (第八屆中國廣告主金遠獎 — 電視類金獎)	Advertiser Magazine (《廣告主》雜誌) and Pin Wei Association (品微會)
April 2016	"Eighth China Advertising Golden Vision Awards: Enterprise with Best Marketing Innovation"* (第八屆中國廣告主金遠獎 — 最具營銷創新力企業)	Advertiser Magazine (《廣告主》雜誌) and Pin Wei Association (品微會)
April 2016	"Eighth China Advertising Golden Vision Awards: Brand Management Model with the Best Market Value"* (第八屆中國廣告主金遠獎 — 最具市場價值品牌管理模型)	Advertiser Magazine (《廣告主》雜誌) and Pin Wei Association (品微會)

LEGAL AND REGULATORY COMPLIANCE

Save as disclosed in the paragraphs below, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with the relevant laws and regulations in relation to our business in all material respects, and there were no material breaches or violations of the laws or regulations applicable to us that would have a material adverse effect on our business or financial position taken as a whole. As at the Latest Practicable Date, none of our Group or any of our Directors was engaged in any litigation or claim or arbitration of material importance, and to the best knowledge of our Directors, to be pending or threatened against our Group or our Directors.

Non-compliance in relation to social insurance contribution

Non-compliance incidents	Reason(s) for the non-compliance	Possible legal consequence and maximum penalty	Remedial measures and status
During the Track Record Period and up to June 2018, Beijing Ruicheng has failed to make adequate social insurance contributions for its employees as required by the relevant PRC laws and regulations. The amount of shortfalls for the two years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 were approximately RMB1.0 million, RMB1.3 million and RMB0.7 million, respectively.	The non-compliance was primarily due to the lack of sufficient knowledge and different interpretation on understanding the relevant laws and regulations by our administrative staff who mistakenly and inadvertently calculated the relevant employees' social insurance contributions based on amounts lower than actual salaries, instead of based on their actual salaries.	According to the Law of Social Insurance of the PRC* (中華人民共和國社會保險法) and other relevant regulations, we are required to provide our employees with social insurance contributions. According to our PRC Legal Advisers, late charges and penalties may be imposed on us if we fail to make the social insurance contributions for our employees in full amount in a timely manner. Relevant authorities may require us to pay the outstanding amount within a prescribed time limit with a late payment charges at the daily rate of 0.05%. If we fail to make the amount within such time limit, the relevant authorities may impose a fine on us equal to an amount up to three times of the total amount of the overdue contribution.	Our Directors confirm that Beijing Ruicheng has made full contributions to the social insurance as required by the relevant PRC laws and regulations since July 2018. We have filed the revised base amounts for the purpose of calculation of employees' social insurance contribution to the relevant social insurance authority and made full contributions as required by the relevant PRC laws and regulations, and subsequently, Beijing Municipality Chaoyang District Human Resources and Social Security Bureau* (北京市朝陽區人力資源和社會保障局) issued confirmation letters dated 20 December 2018, 21 February 2019 and 13 June 2019 confirming that (i) no violation of labour security laws and regulations has been identified against Beijing Ruicheng during the Track Record Period, and (ii) no administrative penalty has been imposed on Beijing Ruicheng for any non-compliance with relevant laws and regulations relating to social insurance during the Track Record Period. Our PRC Legal Advisers are of the view that Beijing Municipality Chaoyang District Human Resources and Social Security Bureau* (北京市朝陽區人力資源和社會保障局) is the competent authority to issue the confirmation letters. Our Directors confirm that up to the Latest Practicable Date, our Group did not receive any orders or demands from the relevant government authority requesting us to pay outstanding amounts in social insurance contributions or any penalty. Based on the facts that (i) Beijing Ruicheng had filed the revised base amounts for calculation of employees' social insurance contribution to the relevant social insurance authority and made full contributions of social insurance as required by the relevant PRC laws and regulations since July 2018, (ii) subsequently, the competent authority issued confirmation letters confirming that no violation of labour security laws and regulations has been identified against Beijing Ruicheng and no administrative penalty has been imposed on Beijing Ruicheng for any non-compliance with relevant laws and regulations relating to the social insurance during the Track Record Period, and (iii) Beijing Ruicheng did not receive any orders or demands from the relevant government authority requesting to pay outstanding social insurance payments or penalty as at the Latest Practicable Date, our PRC Legal Advisers are of the view that the likelihood of relevant government authority demanding outstanding payments or imposing any penalty on us with respect to our past inadequate social insurance contributions is remote. In light of the above and our PRC Legal Advisers' view that the likelihood of relevant government authority demanding outstanding payments or imposing any penalty on us with respect to our past inadequate social insurance contributions is remote, our Directors are of the view that no provision for the shortfalls of social insurance contributions was required. Our Group would be indemnified by our Controlling Shareholders in respect of this non-compliance under the Deed of Indemnity if Beijing Ruicheng is ordered by the relevant government authority to pay any outstanding social insurance payments or penalty. As such, our Directors consider that this non-compliance would not have a material operational or financial impact on our Group. In order to prevent future potential non-compliance incidents in relation to social insurance contributions, we have adopted various measures including (i) designating personnel of human resources department to be responsible for calculation of social insurance contributions and finance controller to oversee the calculation and payment of social insurance contributions; (ii) continuing to oversee our legal and regulatory compliance related matters and closely monitoring any updates to the applicable laws and regulations; and (iii) providing training to relevant personnel of our human resources department and finance department on the social insurance contributions.

Non-compliance in relation to housing provident fund contribution

Non-compliance incidents	Reason(s) for the non-compliance	Possible legal consequence and potential financial liabilities	Remedial measures and status
During the Track Record Period and up to June 2018, Beijing Ruicheng has failed to make adequate housing provident fund contributions for its employees as required by the relevant PRC laws and regulations. The amount of shortfalls for the two years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 were approximately RMB0.6 million, RMB0.7 million and RMB0.3 million, respectively.	The non-compliance was primarily due to the lack of sufficient knowledge on understanding the relevant laws and regulations by our administrative staff who mistakenly and inadvertently calculated the relevant employees' housing provident funds based on amounts lower than actual salaries, instead of based on their actual salaries.	According to the Regulations on Management of Housing Provident Fund of the PRC* (住房公積金管理條例), we are required to make housing provident fund for our employees. According to our PRC Legal Advisers, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period, failing which the relevant authority may apply to the relevant PRC court for the compulsory enforcement of payment of the outstanding amounts.	Our Directors confirm that Beijing Ruicheng has made full contributions to the housing provident fund for the employees as required by the relevant PRC laws and regulations since July 2018. We have filed the revised base amounts for the purpose of calculation of housing provident fund contributions for our employees to the relevant housing provident fund authority and made full contributions as required by the relevant PRC laws and regulations, and subsequently, Beijing Housing Provident Fund Management Centre Dongcheng Administrative Department* (北京住房公積金管理中心東城管理部) issued confirmation letters dated 10 January 2019 and 10 June 2019 confirming that (i) no violation of laws and regulations relating to housing provident fund has been identified against Beijing Ruicheng during the Track Record Period, and (ii) no administrative penalty has been imposed on Beijing Ruicheng for any non-compliance with relevant laws and regulations relating to housing provident fund during the Track Record Period. Our PRC Legal Advisers are of the view that Beijing Housing Provident Fund Management Centre Dongcheng Administrative Department* (北京住房公積金管理中心東城管理部) is the competent authority to issue the confirmation letter. Our Directors confirm that up to the Latest Practicable Date, our Group did not receive any orders or demands from the relevant government authority requesting us to pay outstanding amounts or any penalty in housing provident fund. Based on the facts that (i) Beijing Ruicheng had filed the revised base amounts for calculation of housing provident fund contributions for our employees to the relevant housing provident fund authority and made full contributions of housing provident fund as required by the relevant PRC laws and regulations since July 2018, (ii) subsequently, the competent authority issued confirmation letters confirming that no violation of laws and regulations relating to housing provident fund has been identified against Beijing Ruicheng and no administrative penalty has been imposed on Beijing Ruicheng for any non-compliance with relevant laws and regulations relating to housing provident fund during the Track Record Period, and (iii) Beijing Ruicheng did not receive any orders or demands from the relevant government authority requesting to pay outstanding housing provident fund payments or penalty as at the Latest Practicable Date, our PRC Legal Advisers are of the view that the likelihood of relevant government authority demanding outstanding payments or imposing any penalty on us with respect to our past inadequate housing provident fund contributions is remote. In light of the above and our PRC Legal Advisers' view that the likelihood of relevant government authority demanding outstanding payments or imposing any penalty on us with respect to our past inadequate housing provident fund contributions is remote, our Directors are of the view that no provision for the shortfalls of housing provident fund contributions was required. Our Group would be indemnified by our Controlling Shareholders in respect of this non-compliance under the Deed of Indemnity if Beijing Ruicheng is ordered by the relevant government authority to pay any outstanding housing provident fund payments or penalty. As such, our Directors consider that this non-compliance would not have a material operational or financial impact on our Group. In order to prevent future potential non-compliance incidents in relation to housing provident fund contributions, we have adopted various measures including (i) designating personnel of human resources department to be responsible for calculation of housing provident fund contributions and finance controller to oversee the calculation and payment of housing provident fund contributions; (ii) continuing to oversee our legal and regulatory compliance related matters and closely monitoring any updates to the applicable laws and regulations; and (iii) providing training to relevant personnel of our human resources department and finance department on the housing provident fund contributions.

Based on the implementation of the remedial actions and enhanced internal policies, our Directors are of the view that (i) given the non-compliance incidents had been rectified in July 2018 and our PRC Legal Advisers advised that the likelihood of the relevant government authority demanding outstanding payments or imposing any penalty on us with respect to the past inadequate social insurance and housing provident fund contributions is remote, the above incidents would not have any material adverse impact on our results of operation and financial position; and (ii) our internal control measures are adequate and effective to prevent the recurrence of such non-compliance incidents.

INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

In preparation of the Listing, we have engaged an independent internal control consultant in November 2018 to conduct an evaluation of our internal control system and have implemented certain suggestions and recommendations proposed by the internal control consultant to improve and enhance our internal control system.

To strengthen our internal control and ensure future compliance with the applicable laws and regulations (including the Listing Rules) after the Listing, we have adopted the following additional internal control measures:

- we have implemented a comprehensive risk management system and appointed the corporate governance department as the department to oversee the risk management system of our Group;
- we have set up an internal audit department and formulated an internal audit management system, defining the responsibilities, scope of work, operation flow and quality control etc. of internal audit;
- we have formulated an internal control management system, defining the scope of activities under control and the procedures for internal evaluation and disclosure;
- our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;
- if necessary, we may consider arranging our Directors, members of senior management and relevant employees to attend trainings on the legal and regulatory requirements applicable to our business operations from time to time;
- we have appointed Dongxing Securities (Hong Kong) Company Limited as our compliance adviser upon the Listing to advise us on matters relating to compliance with the Listing Rules;
- if necessary, we may consider appointing external Hong Kong and/or PRC legal advisers to advise us on matters relating to compliance with the Listing Rules and the applicable laws and regulations in Hong Kong and/or the PRC; and

- we have adopted an investment policy to govern the decision making process and procedure for execution of our investments.

CORPORATE GOVERNANCE MEASURES

We recognise the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. In order to comply with the requirements under the Listing Rules, in particular, the code provisions contained in the corporate governance code as set out in Appendix 14 (the "**Code**") of the Listing Rules, we will adopt the following measures prior to Listing:

(i) the establishment of audit committee, remuneration committee and nomination committee with respective written terms of reference in accordance with the code provisions contained in the Code. Please refer to the paragraphs headed "Directors and Senior Management — Board Committees" in this prospectus for further information;

(ii) we have appointed three Independent Non-executive Directors and at least one of them has accounting expertise;

(iii) we will continue to obtain all necessary certificates, permissions and/or licenses prior to the execution of the advertising solution;

(iv) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested except as permitted by the Articles;

(v) pursuant to the Code, our Directors, including our Independent Non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost; and

(vi) our joint company secretaries will review and ensure the Board's policy and procedures, and all applicable rules and regulations, are complied with by our Directors.

DIRECTORS

The Board consists of seven Directors, including four executive Directors and three Independent Non-executive Directors. The Directors and the members of the senior management are involved in the day-to-day management of the Company. The following table sets forth certain information of our Directors:

Name	Age	Date of joining our Group	Position/Title	Date of appointment as Director	Principal roles and responsibilities	Relationship with other Director(s) and/ or senior management
Directors						
Ms. Li Na (李娜)	41	April 2003	Executive Director and chairlady of the Board	25 January 2019	Overall management, strategic planning and business development	N/A
Mr. Feng Xing (馮興)[1]	41	August 2004	Executive Director and vice chairman of the Board	25 January 2019	Day-to-day planning, management and implementation of our business strategies	N/A
Ms. Wang Xin (王欣)	42	August 2015	Executive Director	1 April 2019	Overseeing business development and sales matters of our Group	N/A
Mr. Leng Xuejun (冷學軍)	37	September 2013	Executive Director, vice chairman of the Board and one of our joint company secretaries	25 January 2019	Overseeing the company secretarial matters and financial matters of our Group	N/A
Mr. Zhao Gang (趙剛)	45	October 2019	Independent Non-executive Director	22 October 2019	Providing independent judgement and advice to the Board	N/A
Mr. Li Xue (李雪)	54	October 2019	Independent Non-executive Director	22 October 2019	Providing independent judgement and advice to the Board	N/A
Mr. How Sze Ming (侯思明)	42	October 2019	Independent Non-executive Director	22 October 2019	Providing independent judgement and advice to the Board	N/A

Note:

(1) Mr. Feng Xing is the general manager of our Company. He is one of the members of our senior management.

Executive Directors

Ms. Li Na (李娜), aged 41, is one of our founders, an executive Director and the chairlady of our Board. Ms. Li is primarily responsible for overseeing the overall management, strategic planning and business development of our Group. She was redesignated as an executive Director on 29 April 2019. Ms. Li is also the chairlady of the nomination committee.

Ms. Li has over 18 years of experience in the advertising industry. Prior to joining our Group in April 2003, she worked as a deputy director in Jinjuan Advertisement Technology Co., Ltd* (金鵬傳媒科技股份有限公司), a company principally engaged in the advertising and media business, from April 2000 to November 2003, where she was responsible for marketing matters and after-sales services. From June 2004 to October 2018, Ms. Li was the legal representative of Beijing Ruicheng. From June 2004 to February 2016, Ms. Li was the executive director of Beijing Ruicheng. From February 2010 to February 2016, she was also the general manager of Beijing Ruicheng. From March 2016 to October 2018, Ms. Li was the chairlady of the board of directors of Beijing Ruicheng. Ms. Li was responsible for the overall management of Beijing Ruicheng. Ms. Li graduated from the Ecole Nationale des Ponts et Chaussées with an executive master's degree of business administration (specialising in aeronautics and aviation management) which was co-organised by Tsinghua University, in October 2018.

Ms. Li was awarded the "Ten Best and Most Influential Female Advertising Person in China 2009–2010"* (2009–2010年度中國最具影響力十佳女性廣告人) jointly granted by the MBA School of Communication University of China* (中國傳媒大學MBA學院) and the Advertising Magazine Office* (《廣告導報》雜誌社) in 2010 and the "China Advertising Golden Vision Awards: New Ten Years Leaders in China's Marketing"* (中國廣告主金遠獎新十年中國營銷傳播領軍人物大獎) granted by the Market Observation Magazine Office* (市場觀察雜誌社) in 2011.

Ms. Li was the executive partner of the partnership below at the time of its dissolution. As confirmed by Ms. Li, the partnership was solvent at the time of dissolution and to her best knowledge, the dissolution of the company has not resulted in any actual or potential liability or obligation being imposed against her:

Name of Partnership	Place of Incorporation	Nature of Business	Date of Dissolution	Means of Dissolution	Reasons of Dissolution
Taizhou Hengchuan Enterprise Management Center (Limited Partnership)* (泰州恒川企業管理中心(有限合夥))	PRC	Enterprise management; business management and consulting; marketing planning.	6 August 2018	Deregistration	Cessation of business

Mr. Feng Xing (馮興), aged 41, is an executive Director. Mr. Feng is primarily responsible for the day-to-day planning, management and implementation of our business strategies. He was redesignated as an executive Director on 29 April 2019.

Mr. Feng has over 18 years of experience in the advertising industry. Prior to joining our Group in August 2004, he worked in Hefei Television* (合肥市廣播電視台) as a reporter from August 2000 to August 2002, where he was responsible for the production of medical programmes. He then worked as a sales representative in the business department in Jinjuan Advertisement Technology Co., Ltd* (金鵑傳媒科技股份有限公司), a company principally engaged in the advertising and media business, from August 2002 to July 2004, where he was responsible for marketing matters. Mr. Feng then worked as the deputy general manager of Beijing Ruicheng from August 2004 to February 2016, where he was responsible for the overall management of the business department. Since March 2016, he has been the general manager of Beijing Ruicheng, where he was responsible for implementation of the Company's business strategies. He was also the director of Beijing Ruicheng from March 2016 to October 2018, where he was responsible for the implementation of the company's operating strategies. Mr. Feng graduated from the Cheung Kong School of Business* (長江商學院) in the PRC with an executive master's degree in business administration in September 2018.

Mr. Feng also holds the following positions in the members of our Group:

Name	Position held	Principal roles and responsibilities	Date of Appointment
Beijing Ruicheng	General manager	Implementation of business strategies	4 March 2016
Qingdao Ruicheng Jiaye	General manager	Overall management	25 December 2018
Beijing Lingyu	Executive Director and general manager	Overall management and day-to-day planning	29 October 2018
Ruicheng BVI	Director	Overall management	28 January 2019

Mr. Feng was awarded, among others, the Jinwang Annual Internet Marketing Individuals in the PRC* (金網年度互聯網營銷人物) in 2015 granted by the Internet Marketing Commissions Committee* (網絡營銷工作委員會) and the title of "Contemporary China Outstanding ADMAN"* (ADMAN 中國當代傑出廣告人) granted by the Adman Culture Group and Worldwide Media Industry Association in 2017.

Mr. Feng was the director of the company below at the time of its dissolution. As confirmed by Mr. Feng, the company was solvent at the time of dissolution and to his best knowledge, the dissolution of the company has not resulted in any actual or potential liability or obligation being imposed against him:

Name of Company	Place of Incorporation	Nature of Business	Date of Dissolution	Means of Dissolution	Reasons of Dissolution
Shanghai Ruicheng Jiahe Culture Media Co., Ltd.* (上海瑞誠嘉赫文化傳媒有限公司)	PRC	Advertising, production and distribution of radio and television programmes	15 February 2019	Deregistration	Cessation of business

Ms. Wang Xin (王欣), aged 42, is an executive Director of our Company. Ms. Wang Xin is primarily responsible for overseeing business development and sales matters of our Group. She was redesignated as an executive Director on 29 April 2019. Ms. Wang Xin is also a member of the remuneration committee. She is the sister of Ms. Wang.

Ms. Wang Xin has over 13 years of experience in the advertising industry. From June 2005 to June 2015, Ms. Wang Xin has been the general manager of Qingdao Zhongzhouxian Advertisement Co. Ltd.* (青島中軸線廣告有限公司), a company which is principally engaged in the advertising business, where she was responsible for overall management of the company. She has been the executive director of Shanghai Kailun since August 2015, where she is responsible for the overall management, strategic planning and business development of the company. Ms. Wang Xin graduated from the PLA Nanjing Institute of Politics* (中國人民解放軍南京政治學院) with a bachelor's degree in economics and administrative management in June 2014.

Ms. Wang Xin also holds the following positions in the members of our Group:

Name	Position held	Principal roles and responsibilities	Date of Appointment
Shanghai Kailun	Executive director	Overall management, strategic planning and business development	5 August 2015

Mr. Leng Xuejun (冷學軍), aged 37, is an executive Director and one of the joint company secretaries of our Company. Mr. Leng is primarily responsible for overseeing the company secretarial matters and financial matters of our Group. He was redesignated as an executive Director on 29 April 2019.

Mr. Leng has over 5 years of experience in the advertising industry and he joined our Group in September 2013. From September 2013 to February 2016, he was the business manager of Beijing Ruicheng, where he was responsible for business development and external liaison. From March 2016 to October 2018, he was the director of Beijing Ruicheng, where he was responsible for the overall management, business development and implementation of business strategies of the company. Since November 2018, he has been the executive director of Beijing Ruicheng, where he continues to be responsible for the overall management, business development and implementation of business strategies of the company. From March 2016 to November 2018, he was the secretary to the board of directors of Beijing Ruicheng,where he was responsible for company secretarial matters. Mr. Leng graduated from the Nanjing University in the PRC and obtained a bachelor's degree in administrative management by way of distance learning in February 2009.

Mr. Leng holds the following positions in the members of our Group:

Name	Position held	Principal roles and responsibilities	Date of Appointment
Beijing Ruicheng	Director (Executive Director since November 2018)	Overall management, business development and implementation of business strategies	4 March 2016
Qingdao Ruicheng Jiaye	Executive Director	Overall management	7 December 2018
Ruicheng HK	Director	Overall management	21 February 2019

Independent non-executive Directors

Mr. Zhao Gang (趙剛), aged 45, was appointed as our Independent Non-executive Director on 22 October 2019, and is responsible for providing independent advice and judgement to the Board. Mr. Zhao is also the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee.

Mr. Zhao has over 19 years of experience in the media industry. Prior to joining our Group, from September 1999 to September 2014, he worked as a deputy general manager in Qingdao Radio and Television Advertising Media Co., Ltd* (青島廣播電視廣告傳媒有限公司), where he was responsible for the operation of advertising business. From October 2014 to July 2015, he worked as the assistant to the general manager in Fujian Southeast Weixing Media Co., Ltd.* (福建東南衛星傳媒有限公司). From October 2015 to March 2017, he worked as the management of the advertisement department and the deputy director in Yunnan Radio and Television Group Co., Ltd* (雲南廣電傳媒集團有限公司). From March 2017 to July 2018, he worked as the president of Xizang Beiwen Media Co., Ltd* (西藏北文傳媒有限公司), a company which is primarily engaged in production of television programmes, where he was responsible for the overall management and operation of the company. Since October 2018, Mr. Zhao has been the vice president and general manager of the advertising business centre of Beijing Huashi Juhe Culture Media Co., Ltd* (北京華視聚合文化傳媒有限公司), a company which is primarily engaged in the publication of internet and TV programmes, movies and anime, where he was responsible for the publication of TV programmes, anime and advertising business. Mr. Zhao graduated from the Qingdao University in the PRC with an associate degree in design in July 2005.

Mr. Li Xue (李雪), aged 54, was appointed as our Independent Non-executive Director on 22 October 2019, and is responsible for providing independent advice and judgement to the Board. Mr. Li is also the chairman of the audit committee and a member of the nomination committee.

Mr. Li has over 30 years of financial and accounting experience. From July 1987 to November 1995, Mr. Li worked as a lecturer in Shandong Linyi Finance School* (山東省臨沂財政學校). He then worked as a lecturer in the faculty of finance of Yantai University in the PRC from November 1995 to February 1997. Since February 1997, Mr. Li has been a professor of the faculty of accounting of the Management College of the Ocean University of China. Since July 2008, he has been the dean of the faculty of accounting of the Qindao College of the Qingdao Technological University in the PRC. Mr. Li is currently an independent non-executive director of Qingdao Holdings International Limited (a company listed on the Main Board of the Stock Exchange (stock code: 0499)) which is principally engaged in property businesses, where he is responsible for providing independent judgement and advice to the board of directors. Mr. Li graduated from the Shandong Economics University in the PRC with a bachelor's degree in economics in July 1987 and he graduated from the Shanghai University of Finance and Economics in the PRC with a master's degree in economics in January 1998.

Mr. Li is a certified public accountant of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) as well as a certified tax advisor of the Chinese Certified Tax Agents Association (中國註冊稅務師協會). He has been a senior member of the Chinese Institute of Certified Public Accountants since March 2015. He is currently a council member of the Accounting Society of China (中國會計學會) and a council member of the Chinese Institute of Internal Audit (中國內部審計協會). He is also currently a member of the Chinese Audit Society (中國審計學會) and a council member of the audit education division of the Chinese Audit Society.

Mr. How Sze Ming (侯思明), aged 42, was appointed as our Independent Non-executive Director on 22 October 2019. Mr. How has over 20 years of experience in investment banking and assurance and advisory industries. From September 1999 to July 2002, Mr. How worked as a senior associate in the Assurance and Business Advisory Services Department of PricewaterhouseCoopers and is primarily responsible for performing assurance and business advisory work. From July 2002 to June 2003, Mr. How worked as the corporate finance executive of Tai Fook Securities Company Limited (now known as Haitong International Securities Company Limited), a company which is principally engaged in securities advisory broking, securities dealing and leveraged foreign exchange trading. From July 2003 to December 2004, Mr. How worked as the assistant manager at Tai Fook Capital Limited (now known as Haitong International Capital Limited), a company principally engaged in corporate finance advisory, where he was responsible for corporate finance advisory. From December 2004 to May 2006, Mr. How worked as the assistant vice president of CCB International Capital Limited, a company principally engaged in securities advisory, securities dealing and corporate finance advisory. From May 2006 to March 2009, Mr. How first worked as the associate and later as the assistant vice president in the Investment Banking Division of ICEA Capital Limited, a company principally engaged in dealing in securities and corporate finance advisory, where he was responsible for corporate finance advisory. From April 2009 to February 2010, Mr. How worked as the assistant vice president in the Investment Banking Division of ICBC International Holdings Limited, a company principally engaged in investment banking. From February 2010 to June 2015, Mr. How was the managing director of the Investment Banking Department of CMB International Capital Corporation Limited, a company principally engaged in investment banking, securities brokerage and asset management, where he was responsible for corporate finance advisory. From July 2015 to January 2016, Mr. How was the managing director of Zhaobangji International Capital Limited (currently known as Yishun Da Capital Limited, a company principally engaged in investment banking and advisory, where he was responsible for corporate finance advisory. Mr. How is currently the managing director/head of corporate finance of Southwest Securities (HK) Capital Limited, a company principally engaged in investment banking and advisory, where he is responsible for corporate finance advisory.

Mr. How obtained his bachelor's degree in business administration from the Chinese University of Hong Kong (香港中文大學) in December 1999. Mr. How is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. How has held the following positions in the following companies listed on the Stock Exchange. He has been an independent non-executive director of Million Stars Holdings Limited (formerly known as Odella Leather Holdings Limited) (stock code: 8093) from January 2015 to March 2017; an independent non-executive director of World-Link Logistics (Asia) Holding Limited (stock code: 6083) since December 2015; an independent non-executive director of Forgame Holdings Limited (stock code: 484) since January 2016; an independent non-executive director of Shanghai Zendai Property Limited (stock code: 755) since May 2017; an independent non-executive director of 1957 & Co. (Hospitality) Limited (stock code: 8495) since November 2017; and an independent non-executive director of Watts International Maritime Engineering Limited (stock code: 2258) since October 2018.

General

Save as disclosed herein, each of our Directors confirms with respect to him/her that: (i) he/she does not hold any directorship in any other companies listed in Hong Kong or overseas in the last three years immediately preceding the Latest Practicable Date; (ii) there is no other information that should be disclosed by him/her pursuant to Rule 13.51(2) of the Listing Rules; and (iii) to the best knowledge, information and belief of our Directors, having made all reasonable enquiries, there are no other matters with respect to his/her appointment that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

The senior management of our Group consists of our general manager and our deputy general manager.

Name	Age	Date of joining our Group	Position/title	Date of appointment as a member of the senior management	Principal roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Feng Xing (馮興)	41	August 2004	General manager	29 April 2019	Implementation of our business strategies	N/A
Ms. Lin Zi (林姿)	44	March 2004	Deputy general manager	29 April 2019	Assisting the general manager to implement our business strategies	N/A

Please refer to the section headed "Directors and Senior Management — Directors — Executive Directors" above for the biography for Mr. Feng.

Ms. Lin Zi (林姿), aged 44, is the deputy general manager of our Company. Ms. Lin is primarily responsible for assisting our general manager to implement our business strategies. She has been appointed as our deputy general manager since 29 April 2019.

Ms. Lin has over 20 years of experience in the advertising industry. Prior to joining our Group in March 2004, she worked as a manager in Jinjuan Advertisement Technology Co., Ltd* (金鵬傳媒科技股份有限公司), a company principally engaged in the advertising and media business, from March 1998 to December 2002, where she was responsible for media placement. She then worked as a manager in Shanghai Prospect Advertising Co., Ltd* (上海前景廣告有限公司), a company principally engaged in the business of placement of TV advertisements, from December 2002 to February 2004, where she was responsible for media placement and liaison with media. Since March 2004, Ms. Lin has been the deputy general manager of Beijing Ruicheng, where she was responsible for the management of liaison work with media. From March 2016 to October 2018, she was the director of Beijing Ruicheng, where she was responsible for the implementation of operating strategies of the company. Ms. Lin graduated from the University of Science and Technology of China with a bachelor's degree in information technology in December 1998.

Ms. Lin also holds the following position in the member of our Group:

Name	Position held	Principal roles and responsibilities	Date of Appointment
Beijing Ruicheng	Deputy general manager	Management of liaison work with media	1 March 2004
Shanghai Kailun	General manager	Overall management	5 August 2015

Ms. Lin was awarded the "Eighth China Advertising Golden Vision Awards: Leader in China's Marketing"* (第八屆中國廣告主金遠獎營銷傳播領軍人物) in 2016 jointly by the Advertiser Magazine* (廣告主雜誌社) and the Committee of the China Advertising Summit* (中國廣告主峰會組委會).

JOINT COMPANY SECRETARIES

Mr. Leng Xuejun (冷學軍) was appointed as one of the joint company secretaries of our Company on 29 April 2019. For details of Mr. Leng's biography, please refer to the paragraph headed "Directors and Senior Management — Directors — Executive Directors" in this section.

We have appointed Mr. Lei Kin Keong (李健強) as another joint company secretary of our Company on 29 April 2019, to assist Mr. Leng in discharging his duties as a joint company secretary, including compliance matters relating to the Listing Rules and other Hong Kong regulatory requirements for a period of three years commencing from the Listing Date.

Mr. Lei has over 17 years of accounting, auditing and company secretary experience. From August 2000 to November 2009, Mr. Lei worked for various accounting firms in Hong Kong, including Moores Rowland Mazars and Grant Thornton, where he was responsible for audit and accounting work. From August 2010 to March 2013, Mr. Lei worked as financial manager in various listed companies in Hong Kong and Singapore, where he was responsible for the company's financial reporting and corporate compliance matters. From April 2013 to July 2018, Mr. Lei worked as the company secretary and financial controller in various listed companies in Hong Kong including China Biotech Services Holdings Limited (formerly known as Rui Kang Pharmaceutical Group Investments Limited, a company listed on GEM of the Stock Exchange (stock code: 8037)) and Boill Healthcare Holdings Limited (formerly known as Ngai Shun Holdings Limited, a company listed on Main Board of the Stock Exchange (stock code: 1246)), where he was responsible for financial reporting, corporate compliance and company secretarial matters. He is currently an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited which is principally engaged in the provision of company secretarial services, and has assisted in discharging company secretarial responsibilities in various companies listed on the Stock Exchange.

Mr. Lei graduated from the Polytechnic University of Hong Kong with a bachelor's degree in accounting in 2006. He is also a non-practising member of the Hong Kong Institute of Certified Public Accountants, an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of emoluments (including salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us for each of the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 to those persons who have been or were our Directors was approximately RMB1.0 million, RMB1.4 million, RMB2.2 million and RMB0.76 million, respectively.

The aggregate amount of emoluments (including salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us for each of the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 to the five highest paid individuals (excluding our Directors) was approximately RMB0.8 million, RMB2.8 million, RMB2.5 million and RMB0.8 million, respectively.

Save as disclosed in this prospectus, no other emoluments have been paid, or are payable, by us to our Directors and the five highest paid individuals in respect of the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. During the Track Record Period, no compensation was paid by us to, or received by, our Directors or past Directors for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. No Director has waived or agreed to waive any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 by any member of our Group to any of our Directors or the five highest paid individuals. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors and the five highest paid individuals for the year ending 31 December 2019 to be approximately RMB2.0 million and RMB2.0 million, respectively.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed “D. Share Option Scheme” in Appendix IV to this prospectus. The purpose of the Share Option Scheme is to enable us to grant options to selected participants to reward or incentivise their contribution to our Company. Our Directors believe that the Share Option Scheme would enable us to reward the selected participants and recognise their contributions to us.

BOARD COMMITTEES

Our Company currently has three committees under the Board, which are the audit committee, the remuneration committee, and the nomination committee. These committees operate in accordance with their respective terms of reference established by the Board.

Audit committee

We have established an audit committee pursuant to a Board resolution passed on 22 October 2019 with its written terms of reference in compliance with the requirements under the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee of our Company consists of three members, namely Mr. Li Xue, Mr. Zhao Gang and Mr. How Sze Ming. Mr. Li Xue currently serves as the chairman of the audit committee.

Remuneration committee

We have established a remuneration committee pursuant to a Board resolution passed on 22 October 2019 with its written terms of reference in compliance with the requirements under the Listing Rules. The primary duties of the remuneration committee are to make recommendations on the human resource management of our Group and review policies and structure of the remuneration of our Directors and management.

The remuneration committee of our Company consists of three members, namely Mr. Zhao Gang, Ms. Wang Xin and Mr. How Sze Ming. Mr. Zhao Gang currently serves as the chairman of the remuneration committee.

Nomination committee

We have established a nomination committee pursuant to a Board resolution passed on 22 October 2019 with its written terms of reference in compliance with the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management and succession planning for Directors in particular the chairman or chairlady of the Board.

The nomination committee of our Company consists of three members, namely Ms. Li, Mr. Zhao Gang and Mr. Li Xue. Ms. Li currently serves as the chairlady of the nomination committee.

Board Diversity Policy

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our nomination committee is responsible for ensuring the diversity of our Board. After the Listing, our nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE ADVISER

We have appointed Dongxing Securities (Hong Kong) Company Limited to serve as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser is engaged to provide advice to us 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 our Company proposes to use the proceeds of the Global Offering in a manner that is different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecasts, estimates or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares or any other matters.

The terms of appointment of the compliance adviser will commence on the Listing and end on the date when the Company distributes the annual report of its financial results for the first full financial year commencing after the Listing.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

EMPLOYEES

Please refer to the section headed "Business — Employees" in this prospectus for further details.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), Ms. Wang through Yingheng will be entitled to exercise voting rights of more than 30% of the issued share capital of our Company. Yingheng is an investment holding company wholly-owned by Ms. Wang, and since its incorporation up to the Latest Practicable Date, it has not commenced any business operation. Accordingly and for the purpose of the Listing Rules, Ms. Wang and Yingheng are our Controlling Shareholders.

Ms. Wang was involved in the management and operation of Beijing Ruicheng in the initial stage when she co-founded Beijing Ruicheng with Ms. Li in 2003. She was the executive director of Beijing Ruicheng from its date of incorporation to June 2004. She assisted our Group to establish business relationships with some of our major business partners, including the advertiser of a leading home appliances manufacturer in the PRC in 2004. She entrusted Ms. Li, being experienced in the advertising business, and the then executive director and general manager of Beijing Ruicheng, to be responsible for the overall management and day-to-day operation of Beijing Ruicheng. In 2004, Mr. Feng Xing also joined Beijing Ruicheng as the deputy general manager (who has been the general manager of Beijing Ruicheng since March 2016) and Ms. Lin Zi also joined Beijing Ruicheng as the deputy general manager (who has since then been the deputy general manager of Beijing Ruicheng) to assist Ms. Li with the management and day-to-day operation of Beijing Ruicheng. Therefore, Ms. Wang became less involved in the day-to-day operation and management of Beijing Ruicheng and she resigned as the executive director in 2004. Since then, Ms. Wang no longer participated in the day-to-day operation of Beijing Ruicheng and she assumed the role of an investor and shareholder in Beijing Ruicheng. She would continue to assume the role of an investor and shareholder of our Company and would not be appointed as a Director upon Listing.

EXCLUDED BUSINESSES

Overview

As part of the Reorganisation and to streamline our business, on 28 November 2018, 28 December 2018, 29 December 2018 and 25 January 2019, respectively, we disposed of the entire equity interest in Beijing Ruicheng Jiaye, Qingdao Chaoqun, Wuxi Ruicheng, and our entire equity interest (being 7.5% of the equity interest) in Beijing Qianyantong (the "**Excluded Businesses**") to Ruicheng Hexin, an investment holding company which was owned by Ms. Wang, Ms. Li, Mr. Feng Xing, Ms. Wang Xin, Mr. Leng Xuejun, Ms. Lin Zi, Ms. Wang Zeli, Ms. Liu Yang, Mr. Wang Pingpin and the then ultimate beneficial shareholders of Beijing Ruicheng, and was owned as to approximately 54.44%, 12.38%, 4.95%, 4.54%, 2.61%, 0.93%, 2.85%, 0.99%, 3.96% and 12.35% by them, respectively. The transfer of Qingdao Chaoqun is accounted as a deemed distribution to the owners of our Group and is presented as discontinued operations during the Track Record Period. Please refer to "Note 32. Disposal of Subsidiaries — (a) Disposal of Qingdao Chaoqun" of "Appendix I — Accountants' Report" in this prospectus for more information.

Among the Excluded Businesses, neither Wuxi Ruicheng nor Beijing Ruicheng Jiaye has commenced any business activities since their incorporation. Wuxi Ruicheng was duly deregistered as at the Latest Practicable Date. Qingdao Chaoqun together with its subsidiaries, Qingdao Ruicheng Chuangke and Beijing Yiziyiju, are primarily engaged in the operation of a film and TV park, production of short videos and movie scripts. Beijing Qianyantong is a company engaged in, among other things, the design and development of computer software.

As confirmed by our Directors, there had been no material non-compliance in relation to the Excluded Businesses during the Track Record Period.

Our Controlling Shareholder's interest in Qingdao Chaoqun

Prior to the Reorganisation, Beijing Ruicheng owned the entire equity interest in Qingdao Chaoqun.

Qingdao Chaoqun was acquired by us in 2017 with a view of capturing the growing trend and popularity for costume dramas in the PRC, thereby creating a synergy effect with our advertising services business by enhancing our role in the industry chain and facilitating placements of TV advertisements in TV dramas. In 2018, due to the tightening government policies and restrictions imposed against costume dramas in the PRC, it became more difficult for us to achieve our original intention of the acquisition and the entire equity interest in Qingdao Chaoqun was disposed of as a result of the Reorganisation. Following its disposal of the entire equity interest in Qingdao Chaoqun to Ruicheng Hexin, Beijing Ruicheng ceased to own equity interest in Qingdao Chaoqun. Qingdao Chaoqun together with its subsidiaries, Qingdao Ruicheng Chuangke and Beijing Yiziyiju, are primarily engaged in the operation of a film and TV park, production of short videos and movie scripts. The revenue of Qingdao Chaoqun during the Track Record Period was mainly generated from the production of short videos and movie scripts, and rental income from leasing the venues, facilities and equipment of the film and TV park to shoot movies and TV dramas. Qingdao Chaoqun does not engage in the advertising business. Further, the registered business scopes of Qingdao Chaoqun, Qingdao Ruicheng Chuangke and Beijing Yiziyiju are different from those of the members of our Group. Since the disposal of Qingdao Chaoqun from Beijing Ruicheng to Ruicheng Hexin and up to the Latest Practicable Date, Ruicheng Hexin has been the sole shareholder of Qingdao Chaoqun.

As the Excluded Businesses are different from our business operations and are not in line with our business strategies, and we do not intend to engage in the Excluded Businesses, we consider it is not in the best interests of our Company and our Shareholders as a whole to include any of the Excluded Businesses into our Group, the Controlling Shareholders also confirmed that they have no intention to inject any of the Excluded Businesses into our Group.

Save as disclosed above, none of our Controlling Shareholders, Directors and their respective close associates has any interest in any business which directly or indirectly competes or is likely to compete with our principal businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR GROUP

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business after the Listing independently from our Controlling Shareholders and their respective close associates and/or companies controlled by them:

Management and administrative independence

The Board consists of seven Directors, of whom four are executive Directors and the remaining three are Independent Non-executive Directors. Among our Directors, Ms. Wang Xin and Mr. Leng Xuejun will continue to hold directorships or senior management positions in Ruicheng Hexin and certain members of the Excluded Businesses.

Set out below is a table summarising the Directors' directorships or senior management positions held with Ruicheng Hexin and the Excluded Businesses as at the Latest Practicable Date:

Name of Directors	Positions held with our Company	Directorships/senior management positions held with Ruicheng Hexin and the Excluded Businesses as at the Latest Practicable Date
Ms. Wang Xin	Executive Director	The legal representative, the executive director and the general manager of Ruicheng Hexin
Mr. Leng Xuejun	Executive Director	The legal representative, the executive director and the general manager of Qingdao Chaoqun
		The legal representative, the chairman of the board of directors and the general manager of Qingdao Ruicheng Chuangke

Apart from the above, none of our Directors served as director or senior management in Ruicheng Hexin and the Excluded Businesses or was expected to hold such positions in Ruicheng Hexin and the Excluded Businesses as at the Latest Practicable Date.

In spite of the above, our Directors consider that we have management independence from our Controlling Shareholders and their respective close associates due to the following reasons:

(a) each Director, including Ms. Wang Xin and Mr. Leng Xuejun, is aware of his/her fiduciary duties as a Director which require, among other things, that he/her acts for the benefit and in the best interest of our Group and does not allow any conflict between his/her duties as a Director and his/her personal interests, including his/her interest in the Excluded Businesses;

(b) our Board consists of three Independent Non-executive Directors. This represents more than one-third of the members of the Board and there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving conflict of interest and protect the interests of our independent Shareholders;

(c) the management, operation and affairs of our Group are headed, managed and supervised by our Board as a whole and not by any individual Directors. According to the Articles, our Board must act collectively by a majority decision, and no individual Director is allowed to transact or make any decision for and on behalf of the Company alone unless he is authorised by our Board or act in accordance with the provisions of the Articles. Any view of a Director will be checked and balanced by the view of other Board members;

(d) in the event that there is a potential conflict arising out of any transaction to be entered into between our Group and our Director(s) or their respective associates ("**Conflicting Transaction**"), the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum, unless otherwise permitted under the Articles and/or the Listing Rules. The interested Director(s) shall not attend any independent board committee meetings comprising our Independent Non-executive Directors only. In the event that there is a Conflicting Transaction which shall be submitted to our Independent Non-executive Directors for their consideration and approval, they would have sufficient experience and knowledge to oversee such Conflicting Transaction from different aspects;

(e) our Company has also established an internal control mechanism to identify related party transactions and/or connected transactions that are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement, circular and independent Shareholders' approval (where appropriate);

(f) in order to allow the non-conflicting members of the Board to function properly and make informed decision with the necessary professional advice, our Company will engage third party professional advisor(s) to advise the Board when necessary, depending on the nature and significance of the Conflicting Transaction; and

(g) our Company has established corporate governance procedures in safeguarding the interests of our Shareholders and enhancing Shareholders' value. Please refer to the paragraph headed "Corporate Governance Measures" in this section for details.

Financial independence

We have our own independent accounting and finance team and make financial decisions according to our own business needs. As at the Latest Practicable Date, we had an amount due from Qingdao Chaoqun of approximately RMB11.6 million, which will be settled before Listing. As at the Latest Practicable Date, we also had an amount due to Ms. Wang of approximately RMB1.8 million, which will be settled through the Loan Capitalisation before Listing. Saved as disclosed above, as at the Latest Practicable Date, there were no loans, advances or balances due to and from our Controlling Shareholders and their close associates which have not been fully settled, nor were there any pledges and guarantees provided by any of our Controlling Shareholders and their close associates on our Group's borrowing which have not been fully released or discharged.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

Our Directors are of the view that we have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. Further, our Directors believe that, upon Listing, our Group is capable of obtaining financing from third parties without the support of our Controlling Shareholders. Therefore, our Group is and will be financially independent from our Controlling Shareholders and/or any of their respective close associates.

Operational independence

Our Group has established our own organisational structure made of individual departments, each with specific areas of responsibilities. Our Group did not share our operational resources, such as contractors, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates during the Track Record Period. Our Group has also established a set of internal controls to facilitate the effective operation of its business. Our Group's customers and suppliers are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their close associates and has its independent access to customers and suppliers. Our Directors are of the view that our Group is able to operate independently from our Controlling Shareholders after the Listing.

Having considered the aforesaid factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that she/it fully comprehends her/its obligations to act in the best interests of our Company and our Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

(1) our Directors will comply with our Articles of Association that a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of her close associates have a material interest, nor shall such Director be counted in the quorum present at the meeting;

(2) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgement. Our Company has appointed three Independent Non-executive Directors. Our Directors believe that our Independent Non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our Independent Non-executive Directors are set out in the section headed "Directors and Senior Management" in this prospectus; and

(3) our Company has appointed Dongxing Securities (Hong Kong) Company Limited as the compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and internal controls.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in the Shares

Name of Shareholder	Capacity/nature of interest	Immediately following completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering	
		Number of Shares[1]	Shareholding Percentage
Yingheng	Beneficial owner[2]	161,704,734 (L)	40.43%
Ms. Wang	Interest in controlled corporation[2]	161,704,734 (L)	40.43%
Jujia	Beneficial owner[3]	36,761,102 (L)	9.19%
Ms. Li	Interest in controlled corporation[3]	36,761,102 (L)	9.19%
Shi Rui	Interest of spouse[3]	36,761,102 (L)	9.19%
Ruichengtianhe	Beneficial owner	26,284,188 (L)	6.57%
Youyi	Beneficial owner[4]	25,246,606 (L)	6.31%
Wang Xin	Interest in controlled corporation[4]	25,246,606 (L)	6.31%
Wei Chunlei	Interest of spouse[4]	25,246,606 (L)	6.31%
Wang Pingpin	Interest in controlled corporation[5]	25,246,606 (L)	6.31%
Zhang Miao	Interest of spouse[5]	25,246,606 (L)	6.31%

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

Notes:

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.

2. Our Company is held directly by Yingheng as to approximately 40.43% of our total issued share capital. Yingheng is wholly-owned by Ms. Wang. Ms. Wang is deemed, or taken to be interested, in all the Shares held by Yingheng for the purpose of the SFO.

3. Our Company is held directly by Jujia as to approximately 9.19% of our total issued share capital. Jujia is wholly-owned by Ms. Li. Ms. Li and her spouse, Mr. Shi Rui are deemed, or taken to be interested, in all the Shares held by Jujia for the purpose of the SFO.

4. Our Company is held directly by Youyi as to approximately 6.31% of our total issued share capital. Youyi is owned as to approximately 53.38% by Ms. Wang Xin. Ms. Wang Xin and her spouse, Mr. Wei Chunlei are deemed, or taken to be interested, in all the Shares held by Youyi for the purpose of the SFO.

5. Our Company is held directly by Youyi as to approximately 6.31% of our total issued share capital. Youyi is owned as to approximately 46.62% by Mr. Wang Pingpin. Mr. Wang Pingpin and his spouse, Ms. Zhang Miao are deemed, or taken to be interested, in all the Shares held by Youyi for the purpose of the SFO.

The authorised and issued share capital of our Company is as follows:

Authorised share capital:		*HK$*
2,000,000,000	Shares of HK$0.01 each	20,000,000.00

The issued share capital of our Company immediately following completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon exercise of any option which may be granted under the Share Option Scheme) will be as follows:

Issued and to be issued, fully paid or credited as fully paid:		*HK$*
8,160,800	Shares in issue as at the date of this prospectus	81,608.00
1	Share to be issued pursuant to the Loan Capitalisation	0.01
291,839,199	Shares to be issued pursuant to the Capitalisation Issue	2,918,391.99
100,000,000	Share to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	1,000,000.00
400,000,000	Shares in total	4,000,000.00

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued upon exercise of the Share Option Scheme) will be as follows:

Issued and to be issued, fully paid or credited as fully paid:		*HK$*
8,160,800	Shares in issue as at the date of this prospectus	81,608.00
1	Share to be issued pursuant to the Loan Capitalisation	0.01
291,839,199	Shares to be issued pursuant to the Capitalisation Issue	2,918,391.99
115,000,000	Share to be issued pursuant to the Global Offering and the Over-allotment Option	1,150,000.00
415,000,000	Shares in total	4,150,000.00

Assumptions

The above tables assume the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account (i) any Shares which may be allotted and issued upon exercise of any option which may be granted under the Share Option Scheme; or (ii) any Shares which may be allotted and issued or repurchased by our Company under the general mandate for the allotment and issue or the repurchase of Shares granted to our Directors as referred to below.

Ranking

The Offer Shares and the Shares which may be issued pursuant to the Over-allotment Option shall rank *pari passu* with all existing Shares in issue on the date of the allotment and issuance of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus save for entitlements under the Loan Capitalisation and the Capitalisation Issue.

Share Option Scheme

We have conditionally adopted the Share Option Scheme as further described in "D. Share Option Scheme" in Appendix IV to this prospectus.

General mandate to issues Shares

Subject to the Global Offering becoming unconditional, Our Directors have been granted with an unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering; and

(b) the aggregate nominal value of share capital of our Company repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below.

The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this issuing mandate will not be reduced by the allotment and issue of Shares pursuant to (i) a rights issue; (ii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association; (iii) any specific authority granted by the Shareholders in general meeting(s); or (iv) the exercise of options which may be granted under the Share Option Scheme or any arrangement which may be regulated under Chapter 17 of the Listing Rules.

This issuing mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company is required by the applicable Cayman Islands laws or the Articles of Association to hold our next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this issuing mandate, please see "A. Further Information about our Company — 3. Resolutions of our Shareholders passed on 22 October 2019" in Appendix IV to this prospectus.

General mandate to repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted with a general unconditional mandate to exercise all powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering.

This repurchase mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares by our Company is set out in "A. Further Information about our Company — 6. Repurchase of our Shares by our Company" in Appendix IV to this prospectus.

This repurchase mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company is required by the applicable Cayman Islands laws or the Articles of Association to hold our next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this repurchase mandate, please see "A. Further Information about our Company — 3. Resolutions of our Shareholders passed on 22 October 2019" in Appendix IV to this prospectus.

*You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our Company's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Company in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Company believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Company's expectations and projections will depend on a number of risks and uncertainties over which our Company does not have control. For further information, you should refer to the section "Risk factors" in this prospectus.

OVERVIEW

Founded in 2003, we are an established advertising service provider in the PRC primarily focusing on TV advertising. Leveraging on our experience and expertise in TV advertising, we successfully diversified our service offerings to online and outdoor advertising services. We ranked the tenth among approximately 5,000 TV advertising media service providers in the PRC in terms of TV advertising revenue in 2018, representing a market share of approximately 0.3% according to the CIC Report.

During the Track Record Period, our Group generated revenue from the following services including: (i) TV advertising services; (ii) online advertising services; (iii) outdoor advertising services; and (iv) other advertising services which include placement of advertisements on radio channels, newspapers and magazine, and organisation of marketing events. We also provide a wide variety of advertising services to our customers including data analysis, marketing strategy planning, advertising solution formulation, sourcing of advertising resources, overall coordination and/or execution, and evaluation of the effectiveness of the advertisements.

During the Track Record Period, we recorded our revenue from continuing operations of approximately RMB313.1 million, RMB660.6 million, RMB783.4 million and RMB268.4 million, and our profit for the year or the period from continuing operations was approximately RMB15.8 million, RMB37.7 million, RMB46.6 million and RMB6.7 million, respectively. In addition, our profit from discontinued operations was nil and approximately RMB2.5 million for the years ended 31 December 2016 and 2017, respectively, and our loss from discontinued operations was approximately RMB0.5 million and nil for the year ended 31 December 2018 and for the four months ended 30 April 2019, respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL POSITIONS

The major factors affecting our business, financial positions and results of operations are set out below.

Our ability to maintain and expand our customer base

Most of our business are conducted on a project-by-project basis and our financial performance depends on our ability to maintain our relationships with our major customers and to develop new opportunities with potential customers. Our five largest customers in terms of revenue contributed a significant portion of our revenue, which accounted for approximately 78.6%, 84.9%, 67.3% and 73.9% of our total revenue during the Track Record Period. We intend to strengthen the relationships with our customers and expand our customer base. However, since no long-term agreements have been entered into between our Group and the customers, there is no assurance that our customers will continue to provide us with business after the completion of advertising services.

In the event that any of our major customers reduce their demand on our advertising services or even cease the business relationship with us and we could not be able to find new customers or demand timely, our results of operations and financial position would be adversely affected.

Service mix

Our advertising services are primarily conducted on a project basis. Our revenue, profitability and results of operations are affected by the service mix of our advertising services. During the Track Record Period, our Group generated revenue primarily from (i) TV advertising services; (ii) online advertising services; (iii) outdoor advertising services; and (iv) other advertising services. Our gross profit margins may vary for different type of advertising services and projects attributable to our different service portfolios, depending on factors such as type of services provided, cost of services and pricing strategies. Changes in service mix have affected, and are expected to continue to affect, our financial performance.

Our service mix may change over time and the magnitude of such change has a direct impact on our revenue and profitability. Our Group's ability to maintain our gross profit margin also depends on the intensity of market competition, market supply and demand, product quality and the costs of advertising resources. Our Directors expect to adjust our Group's service mix constantly in response to changes in demand and pricing for different advertising services. If our Group fails to maintain its competitive strengths, we may lose our current market share in our principal advertising business and our revenue may decrease, which may have a material adverse effect on our business, financial position and results of operations. Going forward, we will continue to evaluate and adjust portfolio of our services from time to time so as to focus on services with market demand and better potential to maintain or increase our profitability.

Pricing of our services

We formulate and adjust our pricing policy in accordance with industry information and market trends. We determine our service fee on a case-by-case basis, taking into account several factors including (i) the costs of acquiring the advertising resources; (ii) the estimated time to be spent and the complexity of the project, such as the number of employees to be involved in the project and customers' requirements; (iii) the services we provide and the advertising budgets of our customers; and (iv) future business opportunities with the customers. Our management would review the pricing strategies regularly to ensure the competitiveness of our service fee and maintain our profitability. If we fail to adjust pricing strategies in response to the changing environment, our results of operations and financial performance could be adversely affected.

Reliance on major suppliers and cost of revenue

Our cost of revenue primarily comprised the costs in acquiring advertising resources from our suppliers on a project-by-project basis. Our five largest suppliers in terms of cost of revenue represented approximately 80.4%, 69.2%, 47.0% and 76.0% of our total cost of revenue during the Track Record Period. Costs of advertising resources may depend on various factors, including supply and demand of the advertising resources and our bargaining power with the suppliers. Thus, our ability to maintain a stable business relationships with our major suppliers and maintain sufficient supply of advertising resources at reasonable costs are crucial for our business development and results of operations. If we cannot maintain good relationships with our major suppliers or the supply of advertising resources from these major suppliers is interrupted due to any circumstances, it may be difficult for us to secure alternative supplies with similar or favourable terms in a timely manner which may cause the interruption of our services. Also, if there is any sudden surge for the prices of advertising resources, we may not be able to pass the cost increments to our customers in a timely manner. As a result, our financial position or results of operations would be adversely affected.

Economic conditions in the PRC

Our business in providing advertising services is conducted in the PRC. The economic conditions in the PRC may have significant impact on our financial position and results of operations. Economic conditions in the PRC, including levels of consumer spending and disposable income, affect operational budgets of our customers, and in turn, advertising budget and demands for our services. We believe that the economic growth in the PRC will help increase the demand for our advertising services and contribute to the growth of our revenue. Any slow down or decline in the economic conditions in the PRC may adversely affect our customers' demand for our advertising services and therefore negatively affect our results of operations and financial position.

BASIS OF PRESENTATION

In preparation for the Listing, the entities comprising our Group underwent the Reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus. Ms. Wang has historically throughout the Track Record Period been controlling the entities now comprising our Group. Our Group comprising our Company and our subsidiaries resulting from the Reorganisation is regarded as a continuing entity, and the historical financial information has been prepared as if our Company had always been the holding company of our Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period and the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019 are prepared using the then carrying amounts in the financial statements of companies comprising our Group as if the current group structure had been in existence throughout the Track Record Period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated historical financial information. Note 3 to "Appendix I — Accountants' Report" in this prospectus includes a summary of significant accounting policies used in the preparation of our consolidated historical financial information. The determination of these accounting policies is fundamental to our financial position and results of operations and requires our management to make subjective and complex judgements about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations of these items necessarily involve the use of assumptions and subjective judgements as to future events which are subject to changes, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial position, results of operations and cash flows.

Certain accounting estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events affecting the estimates may differ significantly from our management's current judgements.

Revenue from contracts with customers

Revenue from TV advertising services is primarily derived from the placement of advertisements on TV channels or variety shows. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is determined by the actual broadcasted TV advertisements and verified by reports issued by an independent third party with relevant qualification and experience (i.e. CTR Market Research Co. Ltd., a leading media research agency in China according to the CIC Report with over 23 years of experience in offering monitoring data relevant to TV broadcast) or by customer's confirmations on a monthly basis, which evidenced the advertisement actually broadcasted.

Revenue from online advertising services is primarily derived from the placement of advertisements on platforms such as websites, mobile applications, social media platforms and search engines. The Group utilised a pricing model based on specific terms of the contract which are commonly based on cost per click or cost per mille, which means the cost per 1,000 advertisement impressions regardless of whether the advertisement is being clicked by the viewers. The revenue from online advertising services on cost per click or cost per mille basis is recognised when the agreed actions are performed.

Revenue from outdoor advertising services is primarily derived from the placement of advertisements on outdoor platforms such as LED screens on or in buildings, highways, subways or advertising light boxes in car shelters. The revenue is recognised over the service period based on an advertising schedule confirmed by customers.

Revenue from other advertising services are primarily derived from the placement of advertisements on radio channels, newspapers or magazines or organising marketing events. The revenue is recognised over the service period based on an advertising schedule confirmed by customers.

The following sets forth other critical accounting policies and estimates, the details of which are set out in notes 3 and 4 included in "Appendix I — Accountants' Report" to this prospectus:

- leases;
- financial instruments;
- government grants;
- taxation; and
- estimated impairment of trade receivables.

In respect of estimated impairment of trade receivables, prior to 1 January 2018, when there is objective evidence of impairment loss, our Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows are less than expected, or being revised downward due to the change in facts and circumstances, a material impairment loss/further impairment loss may arise. Starting from 1 January 2018, our Group has applied IFRS9 and we perform impairment assessment under expected credit loss ("ECL") model individually for all the trade receivables. The provision of ECL is sensitive to changes in estimates. The information about the ECL and our Group's trade receivables are disclosed in note 35 of "Appendix I — Accountants' Report" to this prospectus.

We had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any material change in estimates nor its underlying assumptions during the Track Record Period. Our Directors expect that the method and assumptions on the estimates will unlikely be changed in the future.

Please refer to note 2 included in "Appendix I — Accountants' Report" in this prospectus for recently issued accounting standards and interpretations of existing standards that are not yet effective and have not been previously adopted by us.

Application of IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the accounting policies which conform with IFRSs issued by the IASB, which are effective for our Group's financial year beginning on 1 January 2018 throughout the Track Record Period, except that our Group adopted IFRS 9 Financial Instruments on 1 January 2018 and International Accounting Standard ("**IAS**") 39 Financial Instruments: Recognition and Measurement prior to 1 January 2018 and early adopted and consistently applied IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Lease*, which are effective for the accounting period beginning on 1 January 2018 and 2019, respectively, throughout the Track Record Period.

Application on IFRS 9

For the year ended 31 December 2018 and the four months ended 30 April 2019, the Group has applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting.

Our Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings without restating comparative information. As a result of our adoption of IFRS 9 on 1 January 2018, our allowances for impairment losses to trade receivables increased from nil as at 31 December 2017 to approximately RMB1.2 million as at 1 January 2018 and the amounts were recognised in the opening retained earnings. Please refer to note 2.1 included in "Appendix I — Accountants' Report" in this prospectus for the summary and effects arising from initial application of IFRS 9.

Application on IFRS 16

IFRS 16 is effective for annual periods beginning on or after 1 January 2016 and earlier application is permitted. Our Group has elected to early apply IFRS 16 and has consistently applied IFRS 16 throughout the Track Record Period. Our Directors consider the early adoption of IFRS 16 has no significant impact on our gearing ratio, current ratio and quick ratio. The table below illustrates the impacts on financial position (net assets) and performance (net profit) under IFRS 16 and IAS 17 during the Track Record Period as a result of the early adoption of IFRS 16 on 1 January 2016:

	Year ended/as at 31 December			Four months ended/as at 30 April
	2016	**2017**	**2018**	**2019**
Impacts on financial position by applying IFRS 16				
Increase/(decrease) on net assets	(321)	(393)	(375)	(348)
Impact on financial performance by applying IFRS 16				
Increase/(decrease) on net profit	321	72	(18)	(27)

Our Directors consider that the adoption of IFRS9, IFRS15 and IFRS 16 has no significant impact on our financial position and performance when compared to that of IAS 39, IAS 18 and IAS 17.

Fair value of level 3 financial assets at FVTPL

Our Group has invested in TV series and internet dramas during the Track Record Period which constituted fair value change of level 3 financial assets at FVTPL as set out in notes 6 and 35 to the Accountants' Report in Appendix I. The fair value is established by using valuation techniques which include discounted cash flow method. Valuation techniques are certified by an independent and recognised valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as the expected future cash flow of the investments our Group and the discount rate, require management estimates. Should any of the estimates and assumptions change, it may lead to a change in the fair value of the level 3 financial assets at FVTPL. The fair values of our Group's investments in TV series and internet dramas are set out in note 35 to the Accountants' Report in Appendix I.

In relation to the valuation of the level 3 financial assets at FVTPL, our Directors adopted the following procedures: (i) engaged an independent valuer, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (ii) carefully considered all information especially those non-observable information input, such as expected future cash flow of our Group, which require management assessments and estimates; and (iii) reviewed the valuation working papers and reports prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of financial assets at FVTPL particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationships of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in note 35 to the Historical Financial Information of Group for the Track Record Period as set out in the Accountants' Report issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The Reporting Accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on I-2 of Appendix I.

In relation to the valuation analysis performed by the valuer on our Group's level 3 financial assets at FVTPL, the Sole Sponsor has conducted relevant due diligence works, including but not limited to, (i) reviewed the relevant notes in the Accountants' Report as set out in Appendix I and the relevant report issued by the valuer; and (ii) discussed with our management, the Reporting Accountants and the valuer about the key basis, assumptions and methodologies used for the valuation of financial assets at FVTPL. Having considered the works done by our Directors and the Reporting Accountants and the relevant due diligence works done as stated above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by the valuer on the fair value of level 3 financial assets.

RESULTS OF OPERATIONS

The table below sets out our Group's consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019. This information is derived and should be read in conjunction with the consolidated financial information contained in the Accountants' Report set forth in Appendix I to this prospectus.

	For the year ended 31 December			For the four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing operations					
Revenue	313,082	660,612	783,364	211,930	268,404
Cost of revenue	(269,757)	(577,247)	(687,753)	(191,297)	(241,875)
Gross profit	43,325	83,365	95,611	20,633	26,529
Other income, gains and loss	6,191	936	4,119	1,110	2,509
Selling and marketing expenses	(13,688)	(19,522)	(14,875)	(4,122)	(5,164)
Administrative expenses	(13,236)	(11,621)	(11,202)	(3,547)	(4,088)
Finance costs	(499)	(1,803)	(6,043)	(1,546)	(2,665)
Impairment losses, net of reversals	—	—	(998)	(1,939)	(1,131)
Listing expenses	—	—	(4,143)	—	(5,759)
Profit before tax	22,093	51,355	62,469	10,589	10,231
Income tax expense	(6,327)	(13,615)	(15,846)	(2,682)	(3,554)
Profit for the year/period from continuing operations	15,766	37,740	46,623	7,907	6,677
Discontinued operations					
Profit (loss) for the year/period from discontinued operations	—	2,473	(474)	(1,055)	—
Profit and total comprehensive income for the year/period	15,766	40,213	46,149	6,852	6,677
Profit (loss) and total comprehensive income (expense) attributable to owners of the Company					
— from continuing operations	15,766	37,740	46,623	7,907	6,536
— from discontinued operations	—	2,473	(474)	(1,055)	—
	15,766	40,213	46,149	6,852	6,536
Profit and total comprehensive income attributable to non-controlling interests					
— from continuing operations	—	—	—	—	141
	15,766	40,213	46,149	6,852	6,677

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue from continuing operations

During the Track Record Period, our Group's revenue from continuing operations was principally derived from the provision of advertising services to our customers in the PRC, which includes services relating to (i) TV advertising services; (ii) online advertising services; (iii) outdoor advertising services; and (iv) other advertising services including placement of advertising services on radio channels, newspapers and magazine, and organising marketing events. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our total revenue from continuing operations amounted to approximately RMB313.1 million, RMB660.6 million, RMB783.4 million and RMB268.4 million, respectively.

The table below sets forth the breakdown of our revenue and percentage contribution to our total revenue by service type for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* (unaudited)	*(%)*	*RMB'000*	*(%)*
TV advertising services	306,783	98.0	598,730	90.6	527,043	67.3	184,695	87.1	117,275	43.7
Online advertising services	4,334	1.4	33,148	5.0	195,839	25.0	8,863	4.2	125,372	46.7
Outdoor advertising services	—	—	17,221	2.6	51,568	6.6	15,845	7.5	24,410	9.1
Other advertising services	1,965	0.6	11,513	1.8	8,914	1.1	2,527	1.2	1,347	0.5
Total	313,082	100.0	660,612	100.0	783,364	100.0	211,930	100.0	268,404	100.0

For detailed descriptions of each of the services, please refer to the section headed "Business — Our principal business" in this prospectus.

The total revenue of our Group from continuing operations increased from approximately RMB313.1 million for the year ended 31 December 2016 to approximately RMB660.6 million for the year ended 31 December 2017, primarily due to the increase in revenue from TV, online and outdoor advertising services in 2017. The total revenue further increase to approximately RMB783.4 million for the year ended 31 December 2018, primarily due to the increase in revenue generated from online and outdoor advertising services. The total revenue increased from approximately RMB211.9 million for the four months ended 30 April 2018 to approximately RMB268.4 million for the four months ended 30 April 2019, primarily due to the increase in demand for our online and outdoor advertising services as a result of the expansion of the two business.

(i) TV advertising services

Our Group is an established advertising service provider in the PRC primarily focusing on TV advertising. Our revenue generated from TV advertising services represented approximately 98.0%, 90.6%, 67.3% and 43.7%, respective, of our total revenue during the Track Record Period.

The revenue derived from TV advertising services increased from approximately RMB306.8 million for the year ended 31 December 2016 to approximately RMB598.7 million for the year ended 31 December 2017, primarily due to (i) the increase in TV advertising demands of our major customers on advertising resources from first-tier provincial satellite TV stations, which we have maintained strong business relationships with; and (ii) the increase in revenue from a new customer, which is one of the leaders in the telecommunications services industry in the PRC.

The revenue derived from TV advertising services decreased from approximately RMB598.7 million for the year ended 31 December 2017 to approximately RMB527.0 million for the year ended 31 December 2018, primarily due to (i) the decrease in contract sum from Wanglaoji Advertiser in 2018 as a result of its relatively high revenue in 2017 as it had a higher advertising budget in 2017 and launched a relatively aggressive advertising campaign for the Chinese New Year in December 2017; (ii) the decrease in contract sum from Customer B, the advertiser of a leading kitchen appliances manufacturer, as the two variety shows in which Customer B purchased soft-sell advertising rights in 2017 were cancelled and experienced a drop in viewership in 2018, respectively; and (iii) the fact that we strategically expand to and pay efforts on online and outdoor advertising services.

The revenue derived from TV advertising services decreased from approximately RMB184.7 million for the four months ended 30 April 2018 to approximately RMB117.3 million for the four months ended 30 April 2019, primarily due to (i) the decrease in contract sum of the TV advertising project for the Chinese New Year in 2019 from Wanglaoji Advertiser as a result of its relatively high revenue for the four months ended 30 April 2018 arising from its relatively aggressive advertising campaign for the Chinese New Year covering the period from December 2017 to February 2018 which generated higher revenue for the four months ended 30 April 2018; and (ii) the decrease in revenue from Customer C as it was seeking new or appropriate advertising resources in variety shows in the corresponding period. Subsequently, this customer in the refrigeration appliances industry signed framework agreement with us in May 2019 for our TV advertising services and approximately RMB10.9 million was recognised subsequent to the Track Record Period and up to the Latest Practicable Date.

(ii) Online advertising services

The revenue derived from online advertising services increased from approximately RMB4.3 million for the year ended 31 December 2016 to approximately RMB33.1 million for the year ended 31 December 2017, and further increased to approximately RMB195.8 million for the year ended 31 December 2018. It was because we expanded to online advertising services during the Track Record Period, and there were an increase in revenue of online advertising services generated from the industry of internet and mobile games. The revenue derived from online advertising services increased from approximately RMB8.9 million for the four months ended 30 April 2018 to approximately RMB125.4 million for the four months 30 April 2019, primarily due to the increase in demand for our online advertising services from customers in the mobile game industry as a result of the expansion of our online advertising services.

(iii) Outdoor advertising services

For the year ended 31 December 2017, our Group started to provide outdoor advertising services such as placement of advertisements on outdoor LED screens, and generated revenue of approximately RMB17.2 million. The revenue generated from outdoor advertising services increased to approximately RMB51.6 million for the year ended 31 December 2018, primarily due to our expansion to outdoor advertising services, which consist of placement of advertisements on outdoor platforms such as LED screens on or in buildings, highways, subways or advertising light boxes in car shelters. The revenue derived from outdoor advertising services increased from approximately RMB15.8 million for the four months ended 30 April 2018 to approximately RMB24.4 million for the four months 30 April 2019, primarily due to the introduction of a new customer for placing LED advertisements in commercial buildings.

(iv) Other advertising services

Our other advertising services included revenue generated from the placement of advertisements on radio channels, newspapers and magazine, and organisation of marketing events during the Track Record Period.

Breakdown of revenue by customer type

During the Track Record Period, our customers include advertisers and the advertising agents of advertisers in the PRC. The following table sets out a breakdown of the revenue from continuing operations by customer type for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* (unaudited)	*(%)*	*RMB'000*	*(%)*
Advertisers	272,995	87.2	574,511	87.0	516,245	65.9	185,394	87.5	219,617	81.8
Advertising agents	40,087	12.8	86,101	13.0	267,119	34.1	26,536	12.5	48,787	18.2
Total	313,082	100.0	660,612	100.0	783,364	100.0	211,930	100.0	268,404	100.0

The revenue generated from advertisers and advertising agents increased from 2016 to 2017 was due to the increase in the overall revenue as discussed above. The contribution as percentage in the total revenue by advertisers and advertising agents remained relatively stable at approximately 87.0% and 13.0%, for the year ended 31 December 2017, as compared in 2016. The contribution in total revenue by advertisers decreased to approximately 65.9% while that of advertising agents increased to approximately 34.1% for the year ended 31 December 2018, primarily due to the increase in our revenue from online advertising services through advertising agent customers. The contribution in total revenue by advertisers decreased from approximately 87.5% for the four months ended 30 April 2018 to approximately 81.8% for the four months ended 30 April 2019 while that of advertising agents increased from approximately 12.5% for the four months ended 30 April 2018 to approximately 18.2% for the four months ended 30 April 2019, primarily due to the increase in our revenue from online and outdoor advertising services through advertising agent customers.

Cost of revenue

Our cost of revenue represented the cost for procuring advertising resources. The following table sets out a breakdown of our cost of revenue and percentage contribution to our total cost of revenue by service type for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* (unaudited)	*(%)*	*RMB'000*	*(%)*
TV advertising services	265,101	98.3	527,153	91.3	468,186	68.1	168,614	88.1	110,133	45.5
Online advertising services	3,510	1.3	27,199	4.7	169,000	24.6	7,209	3.8	110,113	45.5
Outdoor advertising services	—	—	11,957	2.1	43,227	6.3	13,182	6.9	20,413	8.5
Other advertising services	1,147	0.4	10,938	1.9	7,340	1.0	2,292	1.2	1,216	0.5
Total	269,757	100.0	577,247	100.0	687,753	100.0	191,297	100.0	241,875	100.0

Our total cost of revenue increased as a result of the increase in total revenue during the Track Record Period. Our total cost of revenue increased significantly from approximately RMB269.8 million for the year ended 31 December 2016 to approximately RMB577.2 million for the year ended 31 December 2017, primarily due to the increase in cost of revenue of our TV advertising services as a result of the increase in revenue generated from our TV advertising services in 2017. Our total cost of revenue further increased to approximately RMB687.8 million for the year ended 31 December 2018, primarily due to the increase in cost of revenue of our online and outdoor advertising services as a result of the expansion of our online and outdoor advertising services in 2018. The total cost of revenue increased from approximately RMB191.3 million for the four months ended 30 April 2018 to approximately RMB241.9 million for the four months ended 30 April 2019, primarily due to the increase in cost of revenue of our online advertising services, partially offset by the decrease in cost of revenue of our TV advertising services.

Gross profit and gross profit margin

Gross profit represents the excess of revenue over cost of revenue. The following table sets forth the gross profit and gross profit margin from continuing operations by nature of revenue for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
		Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin		Gross profit margin
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* (unaudited)	*(%)*	*RMB'000*	*(%)*
Advertising services										
TV advertising services	41,683	13.6	71,577	12.0	58,857	11.2	16,081	8.7	7,142	6.1
Online advertising services	824	19.0	5,949	17.9	26,839	13.7	1,654	18.7	15,259	12.2
Outdoor advertising services	—	—	5,264	30.6	8,341	16.2	2,663	16.8	3,997	16.4
Other advertising services	818	41.6	575	5.0	1,574	17.7	235	9.3	131	9.7
Total	43,325	13.8	83,365	12.6	95,611	12.2	20,633	9.7	26,529	9.9

During the Track Record Period, we experienced an increase in gross profit as a result of our increase in revenue. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, our gross profit amounted to approximately RMB43.3 million, RMB83.4 million, RMB95.6 million and RMB26.5 million, respectively. Our gross profit margin were approximately 13.8%, 12.6%, 12.2% and 9.9% for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively.

Our gross profit margin decreased from approximately 13.8% for the year ended 31 December 2016 to approximately 12.6% for the year ended 31 December 2017, and further decreased to 12.2% for the year ended 31 December 2018, primarily due to the decrease in gross profit margin in TV, online and outdoor advertising services. Our gross profit margin maintained at a stable level of approximately 9.7% for the four months ended 30 April 2018 and approximately 9.9% for the four months ended 30 April 2019.

The gross profit margin in TV advertising services decreased from approximately 13.6% for the year ended 31 December 2016 to approximately 12.0% for the year ended 31 December 2017, primarily due to relatively low gross profit margin of TV advertising service projects with one of our major customers in large kitchen appliances industry in 2017, particularly a project of advertising solution package in a variety show that we purchased advertising resources from an exclusive advertising agent. The gross profit margin of TV advertising services further decreased to 11.2% in 2018, primarily due to relatively low gross profit margin of TV advertising services project for TV advertising time slots broadcasted during the period prior to new year of 2019 with one of our major customers in ready-to-drink tea industry in December 2018. The gross profit margin in TV advertising services decreased from approximately 8.7% for the four months ended 30 April 2018 to approximately 6.1% for the four months ended 30 April 2019, primarily due to (i) the relatively low gross profit margin of a TV advertising project for the Chinese New Year in 2019 with a major customer in ready-to-drink tea industry; and (ii) our pricing strategy to set a relatively competitive price for a customer in telecommunications services industry for the TV advertising services to maintain our business relationship.

The gross profit margin in online advertising services decreased from approximately 19.0% for the year ended 31 December 2016 to approximately 17.9% for the year ended 31 December 2017, and further decreased to approximately 13.7% for the year ended 31 December 2018, and decreased from approximately 18.7% for the four months ended 30 April 2018 to approximately 12.2% for the four months ended 30 April 2019, primarily because we offered competitive prices to our customers for capturing more online advertising business in the competitive online advertising market.

The gross profit margin in outdoor advertising services decreased from approximately 30.6% for the year ended 31 December 2017 to approximately 16.2% for the year ended 31 December 2018, primarily due to the fact that the cost and the price of outdoor advertising resources vary depending on their respective placement platforms and locations for different projects, and some of the outdoor advertising projects in 2017 recorded a relatively high gross profit margin. The gross profit margin in outdoor advertising services maintained at a stable level of approximately 16.8% for the four months ended 30 April 2018 and approximately 16.4% for the four months ended 30 April 2019.

Other income, gains and loss

Our other income, other gains and loss from our continuing operations consists mainly (i) interest income from bank deposits; (ii) government grants; and (iii) fair value change of financial assets at FVTPL, during the Track Record Period.

The table below sets forth a breakdown of our other income, gains and loss derived from our continuing operations for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income from bank deposits	103	179	179	42	18
Government grants	1,334	757	3,940	1,068	2,678
Gains on termination of a lease contract	37	—	—	—	—
Fair value change of financial assets at FVTPL	4,717	—	—	—	(560)
Accrued interest income on loan receivable	—	—	—	—	373
Total	6,191	936	4,119	1,110	2,509

Our other income, gains and loss decreased from approximately RMB6.2 million for the year ended 31 December 2016 to approximately RMB0.9 million for the year ended 31 December 2017 was mainly due to fair value change of a financial asset at FVTPL, representing income from our Group's investment in a TV series. The investment was fully redeemed for the year ended 31 December 2016.

Our other income, gains and loss increased from approximately RMB0.9 million for the year ended 31 December 2017 to approximately RMB4.1 million for the year ended 31 December 2018 primarily due to the increase in government grants. The government grants primarily represented the subsidies received from the local governments for rewarding our Group's contribution to local economies. The increase in government grants for the year ended 31 December 2018 was primarily due to government subsidies on our listing on NEEQ and our business as cultural and creative industries received in 2018.

Our other income, gains and loss increased from approximately RMB1.1 million for the four months ended 30 April 2018 to approximately RMB2.5 million for the four months 30 April 2019, primarily due to the increase in government grants for rewarding our Group's contribution to local economies and offset by the loss of the fair value change of a financial asset of FVTPL.

Selling and marketing expenses

Our selling and marketing expenses primarily comprised staff costs, payments for advertising proposals, travel expenses, data acquisition fee, entertainment expenses, office expenses and other expenses during the Track Record Period.

The following table sets forth a breakdown of the key components of our selling and marketing expenses for the years indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Staff costs	5,678	41.5	10,400	53.3	11,945	80.3	3,444	83.6	4,115	79.7
Payments for advertising proposals	3,429	25.1	3,832	19.6	—	—	—	—	—	—
Travel expenses	1,623	11.9	1,585	8.1	815	5.5	154	3.7	205	4.0
Data acquisition fee	869	6.3	515	2.6	530	3.6	220	5.3	254	4.9
Entertainment expenses	754	5.5	1,637	8.4	965	6.5	213	5.2	350	6.8
Office expenses	852	6.2	1,477	7.6	598	4.0	82	2.0	183	3.5
Others	483	3.5	76	0.4	22	0.1	9	0.2	57	1.1
Total	13,688	100.0	19,522	100.0	14,875	100.0	4,122	100.0	5,164	100.0

Our selling and marketing expenses increased from approximately RMB13.7 million for the year ended 31 December 2016 to approximately RMB19.5 million for the year ended 31 December 2017, primarily due to the increase in staff costs. It decreased to approximately RMB14.9 million for the year ended 31 December 2018, primarily due to the decrease in payments for advertising proposals, travel, entertainment and office expenses, net off the increase in staff costs. Our selling and marketing expenses increased from approximately RMB4.1 million for the four months ended 30 April 2018 to approximately RMB5.2 million for the four months 30 April 2019, primarily due to the increase in staff costs.

The staff costs primarily represented the staff costs in the departments of sales, strategy formulation and media operation. It increased from approximately RMB5.7 million for the year ended 31 December 2016 to approximately RMB10.4 million for the year ended 31 December 2017, primarily due to that the Group started to offer performance related bonus to employees in 2017. It further increased to approximately RMB11.9 million for the year ended 31 December 2018, and increased from approximately RMB3.4 million for the four months ended 30 April 2018 to approximately RMB4.1 million for the four months ended 30 April 2019, primarily due to the increase in average salaries.

Payments for advertising proposals primarily represented fee in acquiring advertising formulation services from advertising companies when the capacity of our strategy formulation department was relatively full for the purpose of formulating advertising solutions. No such fee was incurred for the year ended 31 December 2018 and for the four months ended 30 April 2019, as our Group had better allocation of internal resources in our strategy formation department and reduced such expense for cost control.

The entertainment expenses increased from approximately RMB0.8 million for the year ended 31 December 2016 to approximately RMB1.6 million for the year ended 31 December 2017, primarily due to the increase in business developments of our Group for maintaining business relationships with our major customers and suppliers of our TV advertising services. It decreased to approximately RMB1.0 million for the year ended 31 December 2018, primarily due to our cost control and lower entertainment expenses in relation to our TV advertising services in 2018.

Data acquisition fee primarily represented fee to acquire market data from market research companies for data analysis, formulating and monitoring execution of our advertising solutions and evaluating the effectiveness of the advertising solutions.

Administrative expenses

Our administrative expenses primarily consist of staff costs, office expenses, depreciation and amortisation charge, travel expenses, professional fees and other expenses during the Track Record Period.

The following table sets forth a breakdown of our administrative expenses for the years indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Staff costs	5,670	42.8	6,289	54.1	5,852	52.2	1,909	53.8	2,454	60.0
Office expenses	1,652	12.5	1,580	13.6	1,444	12.9	307	8.7	361	8.8
Depreciation and amortisation charge	3,602	27.3	2,746	23.6	2,617	23.4	860	24.2	861	21.0
Travel expenses	540	4.1	205	1.8	630	5.6	217	6.1	190	4.7
Professional fees	1,567	11.8	560	4.8	—	—	—	—	—	—
Others	205	1.5	241	2.1	659	5.9	254	7.2	222	5.5
Total	13,236	100.0	11,621	100.0	11,202	100.0	3,547	100.0	4,088	100.0

Our administrative expenses decreased from approximately RMB13.2 million for the year ended 31 December 2016 to approximately RMB11.6 million for the year ended 31 December 2017, primarily due to the decrease in professional fees and depreciation and amortisation charge. The administrative expenses remained relatively stable at approximately RMB11.2 million for the year ended 31 December 2018 as compared with 2017. The administrative expenses increased from approximately RMB3.5 million for the four months ended 30 April 2018 to approximately RMB4.1 million for the four months 30 April 2019, primarily due to the increase in staff cost.

The staff costs represented staff costs in administrative departments. It increased from approximately RMB5.7 million for the year ended 31 December 2016 to approximately RMB6.3 million for the year ended 31 December 2017, primarily due to the increase in bonus of our employees in administrative departments based on their performance, and decreased to approximately RMB5.9 million for the year ended 31 December 2018, primarily due to the decrease in number of administrative staff. It increased from approximately RMB1.9 million for the four months ended 30 April 2018 to approximately RMB2.5 million for the four months 30 April 2019, primarily due to the increase in average salaries.

Depreciation and amortisation charge primarily represented depreciation on property and equipment. It decreased from approximately RMB3.6 million for the year ended 31 December 2016 to approximately RMB2.7 million for the year ended 31 December 2017, primarily due to some of our motor vehicles were fully depreciated for the year ended 31 December 2017. It remained relatively stable at approximately RMB2.6 million for the year ended 31 December 2018, and at approximately RMB0.9 million for the four months ended 30 April 2018 and for the four months 30 April 2019.

The professional fees represented fees to professional parties for the listing of Beijing Ruicheng on NEEQ for the year ended 31 December 2016 and the related fee to maintain listing on NEEQ for the year ended 31 December 2017.

Finance costs

Our finance costs primarily represent interest expenses on bank and other borrowings and interest expense on lease liabilities. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our finance costs was approximately RMB0.5 million, RMB1.8 million, RMB6.0 million and RMB2.7 million, respectively. The finance costs increased during the Track Record Period, primarily due to the increase in average balance of bank and other borrowings.

Impairment losses, net of reversals

For the year ended 31 December 2018, we recorded approximately RMB1.0 million impairment losses, net of reversals, on trade receivables. For the four months ended 30 April 2019, we recorded approximately RMB1.1 million impairment loss, net of reversals, on trade receivables. For further details of impairment assessment for the Track Record Period, please refer to note 8 of the Accountants' Report in Appendix I to this prospectus.

Income tax expenses

The following table sets forth a breakdown of our income tax expenses from continuing operations for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC EIT					
— current year/period	6,281	13,638	16,057	3,168	4,983
— provision in respect of prior years/periods	153	1	—	—	—
Subtotal	6,434	13,639	16,057	3,168	4,983
Deferred tax	(107)	(24)	(211)	(486)	(1,429)
Total	6,327	13,615	15,846	2,682	3,554

Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of our PRC subsidiaries, except Xizang Wanmei, was 25.0% during the Track Record Period.

According to the Circular Zang Zheng Fa [2018] No. 25, enterprises located in Tibet and engaged in specific encouraged industries are qualified for applying a preferential tax rate of 15.0% for the periods from 2018 to 2020. As such, the EIT rate for Xizang Wanmei, one of our wholly-owned subsidiaries, was 15.0% for the year ended 31 December 2018 and for the four months ended 30 April 2019.

According to the EIT Law and Implementation Regulation of the EIT Law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise, and remains at 10% otherwise.

There is no provision for Hong Kong profits tax for our Group during the Track Record Period as there is no assessable profit subject to Hong Kong profits tax for all years/periods.

Our effective tax rate, representing income tax expenses divided by profit before tax, was approximately 28.6%, 26.5%, 25.4% and 34.7% for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively. The effective tax rate of 28.6% for the year ended 31 December 2016 was relatively higher, as compared to that for the year ended 31 December 2017, primarily due to the provision of income tax of prior years in 2016. The effective tax rate slightly decreased from approximately 26.5% for the year ended 31 December 2017 to approximately 25.4% for the year ended 31 December 2018, primarily due to the entitlement of preferential tax rate of Xizang Wanmei in Tibet. The effective tax rate increase from approximately 25.3% for the four months ended 30 April 2018 to approximately 34.7% for the four months 30 April 2019, primarily due to the increase in the listing expenses which were not tax deductible.

Our Directors confirm that, pursuant to the confirmation letters with respect to our PRC subsidiaries issued by the relevant PRC local tax bureaus, during the Track Record Period, our PRC subsidiaries were not subject to any material non-compliance or administrative punishment with the relevant PRC tax authorities.

Profits from discontinued operations

On 26 May 2017, our Group acquired 100.0% equity interest in Qingdao Chaoqun for a cash consideration of RMB8.0 million from Independent Third Parties. Qingdao Chaoqun is principally engaged in the operation of film and TV park in Qingdao and production of short videos.

As part of the Reorganisation, on 13 December 2018, Ruicheng Hexin as purchaser and Beijing Ruicheng, as vendor, entered into an equity transfer agreement, pursuant to which Beijing Ruicheng transferred 100.0% of equity interest in Qingdao Chaoqun to Ruicheng Hexin. Our Directors believe that the principal business of Qingdao Chaoqun represents a separate line of business. The transfer of Qingdao Chaoqun was regarded as distribution to owners of our Group and was presented as discontinued operations during the Track Record Period. For the period from 26 May 2017 to 31 December 2017, we recorded profits from discontinued operations of approximately RMB2.5 million, while we recorded loss from discontinued operations of approximately RMB0.5 million for the year ended 31 December 2018, primarily due to the decrease in the revenue of the production of short videos generated by Qingdao Chaoqun.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2016 compared to year ended 31 December 2017

Revenue

The total revenue of our Group increased from approximately RMB313.1 million for the year ended 31 December 2016 to approximately RMB660.6 million for the year ended 31 December 2017, primarily due to (i) the increase in revenue from TV advertising services, mainly attributable to the increase in advertising demands of our major customers on TV advertising services in first-tier provincial satellite TV stations and increase in revenue from a new customer in telecommunications services industry in the PRC; and (ii) the increase in revenue from online and outdoor advertising services as a result of our expansion to these advertising services.

Cost of revenue

Our cost of revenue increased from approximately RMB269.8 million for the year ended 31 December 2016 to approximately RMB577.2 million for the year ended 31 December 2017, primarily due to the increase in our revenue.

Gross profit and gross profit margin

Our gross profit increased from approximately RMB43.3 million for the year ended 31 December 2016 to approximately RMB83.4 million for the year ended 31 December 2017.

Our gross profit margin decreased from approximately 13.8% for the year ended 31 December 2016 to approximately 12.6% for the year ended 31 December 2017, primarily due to the decrease in the gross profit margin in the TV advertising services, mainly attributable to the relatively low gross profit margin of TV advertising service projects with one of our major customers in large kitchen appliances industry in 2017, particularly a project of advertising solution package in a variety show that we purchased advertising resources from an exclusive advertising agent.

Other income

Our other income decreased from approximately RMB6.2 million for the year ended 31 December 2016 to approximately RMB0.9 million for the year ended 31 December 2017, primarily due to the fact that we recorded fair value change of a financial asset at FVTPL, which represented income from our investment in a TV series for the year ended 31 December 2016.

Selling and marketing expenses

Our selling and marketing expenses increased from approximately RMB13.7 million for the year ended 31 December 2016 to approximately RMB19.5 million for the year ended 31 December 2017, mainly due to the increase in our staff costs as a result of the fact that we started to offer performance related bonus to employees in 2017.

Administrative expenses

Our administrative expenses decreased from approximately RMB13.2 million for the year ended 31 December 2016 to approximately RMB11.6 million for the year ended 31 December 2017, primarily due to the decrease in professional fees relating to the listing of Beijing Ruicheng on NEEQ, and depreciation and amortisation charge.

Finance costs

Our finance costs increased, from approximately RMB0.5 million for the year ended 31 December 2016 to approximately RMB1.8 million for the year ended 31 December 2017, due to the increase in the average balance of bank and other borrowings.

Income tax expense

Our income tax expense increased from approximately RMB6.3 million for the year ended 31 December 2016 to approximately RMB13.6 million for the year ended 31 December 2017, primarily due to the increase in profit before tax.

Profit for the year from continuing operations

As a result of foregoing, our profit for the year from continuing operations increased from approximately RMB15.8 million for the year ended 31 December 2016 to approximately RMB37.7 million for the year ended 31 December 2017.

Profit for the year from discontinued operations

Our profit for the year from discontinued operations increased from nil for the year ended 31 December 2016 to approximately RMB2.5 million for the year ended 31 December 2017. The increase in our profit for the year from discontinued operations was mainly due to the revenue generated from the operation of film and TV park and production of short videos of Qingdao Chaoqun, which was acquired by our Group on 26 May 2017 and disposed by our Group on 13 December 2018.

Profit for the year

As a result of the foregoing, our profit for the year increased from approximately RMB15.8 million for the year ended 31 December 2016 to approximately RMB40.2 million for the year ended 31 December 2017.

Year ended 31 December 2017 compared to year ended 31 December 2018

Revenue

The total revenue of our Group increased from approximately RMB660.6 million for the year ended 31 December 2017 to approximately RMB783.4 million for the year ended 31 December 2018, primarily attributable to (i) the increase in revenue of our online advertising services generated from customers in the industry of internet and mobile games; and (ii) the increase in revenue of our outdoor advertising services as a result of our expansion in outdoor advertising services which consist of placement of advertisements on outdoor platforms such as LED screens on or in buildings, highways, subways or advertising light boxes in car shelters.

Cost of revenue

Our cost of revenue increased from approximately RMB577.2 million for the year ended 31 December 2017 to approximately RMB687.8 million for the year ended 31 December 2018, primarily due to the increase in revenue.

Gross profit and gross profit margin

Our gross profit increased from approximately RMB83.4 million for the year ended 31 December 2017 to approximately RMB95.6 million for the year ended 31 December 2018.

Our gross profit margin decreased slightly from approximately 12.6% for the year ended 31 December 2017 to approximately 12.2% for the year ended 31 December 2018. The decrease in our gross profit margin was primarily due to the decrease in gross profit margin in TV, online and outdoor advertising services as mentioned above.

Other income

Our other income increased from approximately RMB0.9 million for the year ended 31 December 2017 to approximately RMB4.1 million for the year ended 31 December 2018, primarily due to the increase in government grants arising from our listing on NEEQ and our business as cultural and creative industries received in 2018.

Selling and marketing expenses

Our selling and marketing expenses decreased from approximately RMB19.5 million for the year ended 31 December 2017 to approximately RMB14.9 million for the year ended 31 December 2018, primarily due to the decrease in payments for advertising proposals, travel, entertainment and office expenses.

Administrative expenses

Our administrative expenses remained relatively stable at approximately RMB11.2 million for the year ended 31 December 2018, as compared to the year ended 31 December 2017.

Finance costs

Our finance costs increased from approximately RMB1.8 million for the year ended 31 December 2017 to approximately RMB6.0 million for the year ended 31 December 2018, mainly due to the increase in the average balance of bank and other borrowings.

Impairment losses, net of reversals

For the year ended 31 December 2018, we recorded approximately RMB1.0 million impairment losses, net of reversals, recognised on trade receivables in accordance with the adoption of IFRS 9 Financial Instruments since 1 January 2018.

Listing expenses

For the year ended 31 December 2018, we recorded listing expenses of approximately RMB4.1 million in the consolidated statements of profit or loss in respect of professional fee for the Listing.

Income tax expense

Our income tax expense increased from approximately RMB13.6 million for the year ended 31 December 2017 to approximately RMB15.8 million for the year ended 31 December 2018, primarily due to the increase in profit before tax.

Profit for the year from continuing operations

As a result of foregoing, our profit for the year from continuing operations increased from approximately RMB37.7 million for the year ended 31 December 2017 to approximately RMB46.6 million for the year ended 31 December 2018.

Profit for the year from discontinued operations

Our profit for the year from discontinued operations decreased from approximately RMB2.5 million for the year ended 31 December 2017 to approximately RMB0.5 million in loss for the year ended 31 December 2018, mainly due to the decrease in revenue generated from the production of short videos from Qingdao Chaoqun for the year ended 31 December 2018.

Profit for the year

As a result of the foregoing, our profit for the year increased from approximately RMB40.2 million for the year ended 31 December 2017 to approximately RMB46.1 million for the year ended 31 December 2018.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four months ended 30 April 2018 compared to four months ended 30 April 2019

Revenue

The total revenue of our Group increased from approximately RMB211.9 million for the four months ended 30 April 2018 to approximately RMB268.4 million for the four months ended 30 April 2019, primarily due to the increase in demand for our online and outdoor advertising services as a result of the expansion of the two business.

Cost of revenue

Our cost of revenue increased from approximately RMB191.3 million for the four months ended 30 April 2018 to approximately RMB241.9 million for the four months ended 30 April 2019, primarily due to the increase in revenue.

Gross profit and gross profit margin

Our gross profit increased from approximately RMB20.6 million for the four months ended 30 April 2018 to approximately RMB26.5 million for the four months ended 30 April 2019. Our gross profit margin maintained at a stable level of approximately 9.7% for the four months ended 30 April 2018 and approximately 9.9% for the four months ended 30 April 2019.

Other income, gains and loss

Our other income, gains and loss increased from approximately RMB1.1 million for the four months ended 30 April 2018 to approximately RMB2.5 million for the four months ended 30 April 2019, primarily due to the increase in government grants for rewarding our Group's contribution to local economies offset by loss of the fair value change of a financial asset of FVTPL.

Selling and marketing expenses

Our selling and marketing expenses increased from approximately RMB4.1 million for the four months ended 30 April 2018 to approximately RMB5.2 million for the four months ended 30 April 2019, mainly due to the increase in staff's average salary.

Administrative expenses

Our administrative expenses increased from approximately RMB3.5 million for the four months ended 30 April 2018 to approximately RMB4.1 million for the four months ended 30 April 2019, mainly due to the increase in staff's average salary.

Finance costs

Our finance costs increased from approximately RMB1.5 million for the four months ended 30 April 2018 to approximately RMB2.7 million for the four months ended 30 April 2019, mainly due to the increase in the average balance of bank and other borrowings.

Impairment losses, net of reversals

Our impairment losses, net of reversals amounted to approximately RMB1.1 million for the four months ended 30 April 2019.

Income tax expense

Our income tax expense increased from approximately RMB2.7 million for the four months ended 30 April 2018 to approximately RMB3.6 million for the four months ended 30 April 2019, primarily due to the increase of listing expenses which were tax non-deductible.

Profit for the period

As a result of the foregoing, our profit decreased from approximately RMB6.9 million for the four months ended 30 April 2018 to approximately RMB6.7 million for the four months ended 30 April 2019.

Non-IFRS financial measure

We have presented non-IFRS financial measure i.e. adjusted net profit margin excluding the listing expenses in this prospectus. This is prepared for illustration purpose only and not required by, or presented in accordance with the IFRSs. Although the financial measure is reconcilable to the line items in the historical financial information set forth in Appendix I to this prospectus, it should not be considered as a measure comparable to, and should not be used as substitutes for, items in consolidated statements of comprehensive income and consolidated statements of cash flows as determined in accordance with the IFRS. In addition, our definition of this financial measure may not be comparable to other similar titled measure used by other companies. The non-IFRS measure has limitations as analytical tools and should not be considered in isolation form, or as a substitute for, an analysis of our financial results presented under the IFRS.

	For the year ended 31 December			For the four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period from continuing operations	15,766	37,740	46,623	7,907	6,677
Add: listing expenses	—	—	4,143	—	5,759
Adjusted profit for the year/period excluding the listing expenses	15,766	37,740	50,766	7,907	12,436
Adjusted net profit margin excluding the listing expenses[(Note)]	5.0%	5.7%	6.5%	3.7%	4.6%

Note: Adjusted net profit margin excluding the listing expenses is calculated based on the adjusted profit for the year/period excluding the listing expenses divided by revenue for the respective year/period and multiplied by 100%.

Adjusted net profit margin excluding the listing expenses is a non-IFRS financial measurement which, in the opinion of our Directors, eliminates the effect of major non-recurring expenses is useful for investors in comparing our performance without regard to items that do not affect our ongoing operating performance or cash flow.

LIQUIDITY AND CAPITAL RESOURCES

Throughout the Track Record Period, we have financed our working capital needs primarily through cash flows from operating activities and bank and other borrowings. We derived our cash flows from operating activities principally from the provision of our advertising services.

We incurred capital expenditures mainly for the acquisition of property and equipment during the Track Record Period. We monitor our working capital positions from time to time to ensure that we maintain sufficient cash resources for our daily operations and capital expenditure needs.

Cash flow

The table below sets forth the selected cash flow data from the consolidated statements of cash flows for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating cash flows before movements in working capital	21,337	59,239	74,008	14,580	15,430
Net cash (used in) generated from operating activities	(40,779)	(1,624)	22,008	(44,417)	(4,844)
Net cash generated from (used in) investing activities	40,657	(23,544)	(6,250)	(5,545)	(14,971)
Net cash (used in) generated from financing activities	(38,619)	70,065	(36,168)	(6,612)	1,085
Net (decrease) increase in cash and cash equivalents	(38,741)	44,897	(20,410)	(56,574)	(18,730)
Cash and cash equivalents at beginning of year/period	51,001	12,260	57,157	57,157	36,747
Cash and cash equivalents at end of year/period	12,260	57,157	36,747	583	18,017

Net cash used in or generated from operating activities

Our cash generated from operating activities was mainly derived from the receipts of sales and our cash used in operating activities was mainly for the purchase of advertising resources, selling and marketing expenses and administrative expenses incurred in our daily operations.

For the year ended 31 December 2016, we had net cash inflows from operating activities before working capital change of approximately RMB21.3 million and net cash outflows from operating activities of approximately RMB40.8 million. The difference of approximately RMB62.1 million was primarily attributable to the increase in trade and notes receivables, prepayments and other receivables of approximately RMB57.9 million which was mainly due to the increase in our total revenue in the fourth quarter of 2016, decrease in trade and other payables of approximately RMB4.0 million, income tax paid of approximately RMB4.5 million, and partially offset by the increase in contract liabilities of approximately RMB6.2 million received in advance from customers.

For the year ended 31 December 2017, we had net cash inflows from operating activities before working capital change of approximately RMB59.2 million and net cash outflows from operating activities of approximately RMB1.6 million. The difference of approximately RMB60.8 million was primarily attributable to the increase in trade and notes receivables, prepayment and other receivables of approximately RMB72.8 million which was mainly due to the increase in our total revenue as mentioned above and the decrease in trade and other payables of approximately RMB31.9 million as a result of settlement in advance for advertising resources for some projects, income tax paid of approximately RMB7.6 million and interest paid of approximately RMB2.7 million, partially offset by the increase in contract liabilities of approximately RMB56.0 million received in advance from our customers for some projects as at 31 December 2017.

For the year ended 31 December 2018, we had net cash inflows from operating activities before working capital change of approximately RMB74.0 million and net cash inflows from operating activities of approximately RMB22.0 million. The difference of approximately RMB52.0 million was primarily attributable to the decrease in contract liabilities of approximately RMB62.2 million as a result of no receipt in advance from customers as at 31 December 2018, the increase in trade and notes receivables, prepayments and other receivables of approximately RMB46.6 million as a result of increase in our total revenue in the fourth quarter in 2018, income tax paid of approximately RMB15.8 million and interest paid of approximately RMB7.5 million, partially offset by the increase in trade and other payables of approximately RMB76.9 million resulting from the increase in purchase of advertising resources due to the increase in revenue from our online advertising services.

For the four months ended 30 April 2019, we had net cash inflows from operating activities before working capital change of approximately RMB15.4 million and net cash outflows from operating activities of approximately RMB4.8 million. The difference of approximately RMB20.2 million was primarily attributable to (i) the decrease in trade and notes receivables, prepayments and other receivables of approximately RMB15,000; (ii) the decrease in trade and other payables of approximately RMB14.1 million which was mainly due to the settlement of trade payable in the first quarter of 2019; (iii) income tax paid of approximately RMB7.0 million, and partially offset by the increase in contract liabilities of approximately RMB3.7 million received in advance from customers.

Net cash generated from or used in investing activities

Our cash generated from investing activities primarily consisted of proceeds from disposal of a financial asset at FVTPL. Our cash used in investing activities primarily consisted of the purchases of property and equipment and the purchase of financial assets at FVTPL.

For the year ended 31 December 2016, our net cash inflows from investing activities was approximately RMB40.7 million. The amount was mainly attributable to the proceeds from disposal of a financial asset at FVTPL of approximately RMB41.7 million from our investment in a TV series, which was the sum of the initial investment amount of RMB37.0 million and other gains of approximately RMB4.7 million for our investment in a TV series recognised for the year ended 31 December 2016. Please refer to the section headed "Business — Investment in TV series, internet dramas and movies" for further details.

For the year ended 31 December 2017, our net cash outflows from investing activities was approximately RMB23.5 million. The amount was mainly attributable to (i) the purchase of a financial asset at FVTPL of RMB13.0 million representing our investment in an internet drama; and (ii) the net cash consideration paid for the acquisition of Qingdao Chaoqun of approximately RMB8.0 million.

For the year ended 31 December 2018, our net cash outflows from investing activities was approximately RMB6.3 million. The amount was mainly attributable to the purchase of financial assets at FVTPL, representing our investment in a TV series and an internet movie of approximately RMB6.1 million.

For the four months ended 30 April 2019, our net cash outflows from investing activities was approximately RMB15.0 million. The amount was mainly attributable to the purchase of financial assets at FVTPL, representing our investment in a TV series of approximately RMB15.0 million.

Net cash used in or generated from financing activities

Our cash used in financing activities primarily consist of the repayments of bank and other borrowings, dividends paid, repayment of the lease liabilities and the repayments of loans due to related parties. Our cash generated from financing activities primarily consist of the new bank and other borrowings raised.

For the year ended 31 December 2016, our net cash outflows from financing activities was approximately RMB38.6 million, which was attributable to repayments of amount due to Ms. Wang and repayment of the lease liabilities.

For the year ended 31 December 2017, our net cash inflows from financing activities was approximately RMB70.1 million, mainly attributable to the newly raised bank and other borrowings of approximately RMB73.0 million, and offset by the repayments of lease liabilities of approximately RMB2.0 million.

For the year ended 31 December 2018, our net cash outflows from financing activities was approximately RMB36.2 million, mainly attributable to (i) repayments of bank and other borrowings of approximately RMB92.2 million; (ii) dividends paid of approximately RMB54.0 million, and offset by the newly raised bank and other borrowings of approximately RMB110.0 million.

For the four months ended 30 April 2019, our net cash inflows from financing activities was approximately RMB1.1 million, primarily attributable to the amount due to Ms. Wang.

DISCUSSION ON CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Non-current assets

Our non-current assets mainly included property and equipment, financial assets at FVTPL and loan receivable.

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property and equipment	12,794	50,873	5,493	4,694
Goodwill	—	60	—	—
Other intangible assets	44	39	43	42
Financial assets at FVTPL	—	13,000	6,050	19,810
Available-for-sale investment	—	1,500	—	—
Deferred tax assets	107	131	638	2,067
Loan receivable	—	—	13,000	12,897
Long-term deposit	401	401	401	401
Total non-current assets	13,346	66,004	25,625	39,911

Our property and equipment mainly included buildings, right-of-use assets, leasehold improvements, motor vehicles, office equipment and construction in progress during the Track Record Period. Our property and equipment increased from approximately RMB12.8 million as at 31 December 2016 to approximately RMB50.9 million as at 31 December 2017, mainly due to additions of right-of-use assets and buildings from the acquisition of Qingdao Chaoqun on 26 May 2017. Our property and equipment decreased from approximately RMB50.9 million as at 31 December 2017 to approximately RMB5.5 million as at 31 December 2018, mainly due to (i) the disposal of Qingdao Chaoqun on 13 December 2018; and (ii) the building reclassified as asset held for distribution to owners from demerger of our subsidiary Beijing Ruicheng during the Reorganisation. Our property and equipment decreased to approximately RMB4.7 million as at 30 April 2019, mainly due to the depreciation of property and equipment.

Financial assets at FVTPL, represented our investment in an internet drama of RMB13.0 million as at 31 December 2017, our investments in film and drama of approximately RMB6.1 million as at 31 December 2018. In respect of the internet drama investment of RMB13.0 million, a supplemental agreement was entered into in December 2018, which entitled Beijing Ruicheng to a fixed return rate of 18.0% in aggregate from 1 January 2019 to 31 December 2020. It was reclassified as a loan receivable in 2018. As at 30 April 2019, the financial assets at FVTPL represented the non-current portion of our investments in film and drama of approximately RMB19.8 million, primarily due to our investment in a TV series of approximately RMB15.0 million.

The available-for-sale investment of approximately RMB1.5 million as at 31 December 2017 represented the unlisted equity investment of 7.5% of equity interest in a private entity in Beijing Qianyantong. Such investment was transferred to Ruicheng Hexin as part of our Reorganisation in December 2018.

Net Current Assets

	As at 31 December			As at 30 April	As at 31 August
	2016	**2017**	**2018**	**2019**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited management accounts)
Current Assets					
Trade and notes receivables, prepayments and other receivables	109,915	182,759	208,515	207,472	206,309
Amounts due from related parties	—	—	14,850	14,832	12,423
Contract assets	1,415	3,228	—	896	—
Financial assets at fair value through profit or loss	—	—	—	680	1,003
Bank balances and cash	12,260	57,157	36,747	18,017	893
	123,590	243,144	260,112	241,897	220,628
Asset held for distribution to owners	—	—	2,243	—	—
	123,590	243,144	262,355	241,897	220,628
Current Liabilities					
Trade and other payables	21,899	17,623	94,243	80,180	32,594
Tax payables	3,093	9,208	9,510	7,478	6,925
Contract liabilities	7,946	63,914	1,748	5,405	18,984
Bank and other borrowings	—	68,001	83,523	84,236	89,799
Amounts due to a related party	—	—	5,000	6,777	1,777
Lease liabilities	2,002	2,122	2,250	2,283	1,606
	34,940	160,868	196,274	186,359	151,685
Liabilities associated with non-current asset classified as held for distribution to owners	—	—	980	—	—
	34,940	160,868	197,254	186,359	151,685
Net current assets	88,650	82,276	65,101	55,538	68,943

Our net current assets decreased from approximately RMB88.7 million as at 31 December 2016 to approximately RMB82.3 million as at 31 December 2017, primarily due to the increase in the current liabilities, partially offset by the increase in the current assets. The current liabilities increased primarily due to (i) the increase in the current portion of bank and other borrowings; and (ii) contract liabilities arising from advances from customers. The increase in the current assets was mainly due to (i) the increase in trade and notes receivables as a result of the increase of our revenue in 2017; and (ii) the increase in bank balances and cash generated from our operation.

Our net current assets decreased from approximately RMB82.3 million as at 31 December 2017 to approximately RMB65.1 million as at 31 December 2018, primarily due to the increase in the current liabilities, partially offset by the increase in the current assets. The increase in current liabilities was primarily due to (i) the increase in our trade payables for the purchase of advertising resources in online and outdoor advertising services; (ii) increase in bank and other borrowings, partially offset by the decrease in our contract liabilities. The increase in current assets, was primarily due to (i) the increase in trade and notes receivables as a result of the increase in revenue in the fourth quarter in 2018; (ii) the increase in the amounts due from Qingdao Chaoqun.

Our net current assets decreased from approximately RMB65.1 million as at 31 December 2018 to approximately RMB55.5 million as at 30 April 2019, primarily due to the decrease in current assets, partially offset by the decrease in current liabilities. The current assets decreased primarily due to decrease in bank balances and cash as a result of purchase of financial assets at FVTPL. The decreased in current liabilities was mainly due to the decreased in trade and other payables.

Our net current assets increased from approximately RMB55.5 million as at 30 April 2019 to approximately RMB68.9 million as at 31 August 2019, primarily due to the decrease in current assets, partially offset by the decrease in current liabilities. The current assets decreased primarily due to the decrease in bank balances and cash. The current liabilities decreased primarily due to the decrease in trade and other payables as a result of the settlement of payables.

Trade and notes receivables, prepayments and other receivables

The following table sets out a breakdown of our trade and notes receivables, prepayments and other receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	41,363	65,945	149,640	158,348
Notes receivables	7,430	3,450	—	—
Less: allowance for credit losses	—	—	(2,183)	(2,821)
	48,793	69,395	147,457	155,527
Prepayments and other receivables				
Prepayment to suppliers	51,192	98,887	53,182	35,924
Rental and other deposits	10,296	9,218	4,740	11,556
Deferred listing expenses	—	—	1,381	3,158
Others	35	5,660	2,156	1,708
	61,523	113,765	61,459	52,346
Less: Long-term deposits	(401)	(401)	(401)	(401)
	61,122	113,364	61,058	51,945
Total	109,915	182,759	208,515	207,472

Our Group generally determines the credit period granted to customers with reference to the financial position, credit record, duration of business relationship and the types of services our Group provided. Credit and payment terms may vary for different customers and projects. Our Group generally issues billings to customers after performance of advertising services according to the terms set out in the relevant contracts.

For TV advertising services, our Group generally provides credit periods ranging from three to 90 days after performing the advertising services to customers. For a few customers, our Group demands payment by instalments or in full prior to services being provided.

For online advertising services, our Group generally provides credit periods ranging from five to 60 days after performing the advertising services to customers. For a few customers, our Group receives prepayment before services are provided and the amounts are deducted based on monthly services provided.

For outdoor advertising services, our Group generally sets the contract terms by instalments within the contract period.

Our notes receivables primarily consists of banker's acceptance notes we received from our customers as payment, and are generally due within six months.

Our trade and notes receivables increased from approximately RMB48.8 million as at 31 December 2016 to approximately RMB69.4 million as at 31 December 2017 which was mainly due to the increase in our total revenue as the overall growth of our advertising business in 2017. It further increased to approximately RMB147.5 million as at 31 December 2018, primarily due to the increase in the revenue generated in the fourth quarter in 2018, as compared to that of the year ended 31 December 2017. It slightly increased to approximately RMB155.5 million as at 30 April 2019, primarily due to the increase in revenue of our online advertising services as a result of the expansion of our online advertising services.

The following table sets forth an aged analysis of trade and notes receivables net of allowance for credit losses presented based on the date of billing:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	11,898	26,860	66,308	54,957
31–90 days	17,596	23,894	74,918	76,223
91–180 days	15,347	13,711	4,839	24,253
181–360 days	3,952	4,341	—	94
Over 360 days	—	589	1,392	—
Total	48,793	69,395	147,457	155,527

The following table sets forth an aged analysis of trade and notes receivables that are past due but not impaired as at the dates indicated:

	As at 31 December	
	2016	2017
	RMB'000	*RMB'000*
Overdue by:		
0–30 days	5,700	141
31–90 days	20,071	31,571
91–180 days	2,897	—
181–360 days	2,765	4,341
>360 days	206	589
Total	31,639	36,642

As at 31 December 2016 and 2017, trade and notes receivables of approximately RMB31.6 million and RMB36.6 million were past due but not impaired, respectively.

The following table sets out the average turnover days of trade and notes receivables for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2016	2017	2018	2019
	Days	*Days*	*Days*	*Days*
Average turnover days of trade and notes receivables*(Note)*	45	33	51	68

Note: The turnover days of trade and notes receivables is calculated based on the average of the beginning and ending balance of trade and notes receivables for the year divided by revenue during the year and multiplied by 365 days for the years ended 31 December 2016, 2017 and 2018. For the four months ended 30 April 2019, it is calculated based on the average of the beginning and ending balance of trade and notes receivables for the period divided by revenue during the period and multiplied by 120 days.

Average turnover days of trade and notes receivable was approximately 45 days, 33 days, 51 days and 68 days for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively, which was generally in line with our credit terms granted to our customers. Our average turnover days of trade and notes receivables for the year ended 31 December 2018 was relatively higher, mainly due to the increase in balance of trade and notes receivables as at 31 December 2018, as a result of the increase in revenue in the fourth quarter of 2018. Our average turnover days of trade and notes receivables further increased to 68 days for the four months ended 30 April 2019 was mainly due to (i) the increase in revenue of our online advertising services as a result of the expansion of our online advertising services; and (ii) the relatively longer credit terms granted our major customers for the online advertising services.

We made allowance for credit losses on trade and notes receivables of nil, nil, approximately RMB2.2 million and RMB2.8 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

As at the Latest Practicable Date, approximately RMB110.4 million, or approximately 71.0% of the trade and notes receivables as at 30 April 2019 was subsequently settled.

Prepayments to suppliers

Our prepayments to suppliers primarily represented the prepayments to suppliers prior to the broadcast of advertisements. Our prepayments to suppliers amounted to approximately RMB51.2 million, RMB98.9 million, RMB53.2 million and RMB35.9 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. The balance of prepayments to suppliers as at 31 December 2017 was higher, mainly due to the fact that our Group paid higher amounts of prepayments to suppliers to procure the TV advertising resources for the execution of such advertising solutions as at 31 December 2017.

The following table sets forth an aged analysis of prepayments as at the dates indicated:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
By payment date:				
0–30 days	50,890	85,015	37,896	20,851
31–90 days	—	1,711	990	7,889
91–180 days	—	4,490	1,870	2,772
181–360 days	2	370	7,714	—
>360 days	300	7,301	4,712	4,412
Total	51,192	98,887	53,182	35,924

As at the Latest Practicable Date, approximately RMB32.7 million, or approximately 90.9% of our prepayments to the suppliers as at 30 April 2019 had been utilised or returned.

Rental and other deposits

Our rental and other deposits mainly consist of (i) deposits to our TV station suppliers to procure advertising resources which are generally used to offset the last invoice issued by the supplier under the contract; (ii) deposits for rental of our office; and (iii) deposit to a major customer for tender application.

Contract Liabilities

Our contract liabilities primarily represented advances from our customers for the purchase of our advertising services. We sometimes required our customers in TV advertising services to make payments in advance for the execution of the advertising solution and it was utilised upon performance of contract. Advances from customers was generally made in accordance with the terms specified in the contract with our customers. During the Track Record Period, our contract liabilities amounted to approximately RMB7.9 million, RMB63.9 million, RMB1.7 million and RMB5.4 million, respectively. Our contract liabilities as at 31 December 2017 of approximately RMB63.9 million was relatively high, which was primarily due to the fact that one of our major customers made advances to us in the year end of 2017 for the execution of TV advertising contracts.

Trade and other payables

Trade payables

Our trade payables primarily represent amounts payable to our suppliers for the purchase of advertising resources. Settlement is generally made in accordance with the terms specified in the relevant contracts with our suppliers. For TV and outdoor advertising, our suppliers generally require us to settle payment before execution of the advertising solutions. For online advertising services, we are generally required to settle payment within two to 60 days after actual number of impression or click were calculated each month. For a few suppliers, prepayment before execution is required and the amount are deducted based on monthly execution statements.

Our trade payables decreased from approximately RMB16.2 million as at 31 December 2016 to approximately RMB7.8 million as at 31 December 2017, mainly due to the increase of our prepayments to suppliers in TV advertising services as at 31 December 2017. Our trade payables increased to approximately RMB75.4 million as at 31 December 2018, primarily due to the increase in trade payables to suppliers in online advertising services as a result of the expansion of our online advertising services. It decreased to approximately RMB62.0 million as at 30 April 2019, primarily due to the settlement of trade payables.

The following table sets forth an aged analysis of our trade payables presented based on the date of billing:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	10,857	4,463	71,436	59,325
31–90 days	100	15	1,819	—
>90 days	5,228	3,294	2,128	2,664
Total	16,185	7,772	75,383	61,989

The following table sets forth the average turnover days of trade payable for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2016	**2017**	**2018**	**2019**
	Days	*Days*	*Days*	*Days*
Average turnover days of trade payable(Note)	21	8	22	34

Note: The turnover days of trade payables is calculated based on the average of the beginning and ending balance of trade payables for the year divided by corresponding cost of revenue during the year and multiplied by 365 days for the years ended 31 December 2016, 2017 and 2018. For the four months ended 30 April 2019, it is calculated based on the average of the beginning and ending balance of trade payables for the period divided by corresponding cost of revenue during the period and multiplied by 120 days.

Our average turnover days of trade payable decreased from 21 days for the year ended 31 December 2016 to 8 days for the year ended 31 December 2017 which was mainly attributable to the relatively lower balance of our trade payables as at 31 December 2017 as mentioned above. Our average turnover days of trade payable then increased to 22 days for the year ended 31 December 2018 which was mainly due to the increase in trade payables to suppliers in online advertising services as a result of our expansion in online advertising services. Our average turnover days of trade payable increased to approximately 34 days for the four months ended 30 April 2019 which was primarily due to the increase in purchase of our online advertising services with credit periods granted by online advertising resource suppliers as a result of the expansion of our online advertising services.

As at the Latest Practicable Date, approximately RMB60.9 million, or approximately 98.3% of our trade payables as at 30 April 2019 had been settled.

Other payables

The following table sets forth the components of our other payables as at the dates indicated:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Staff cost payables	1,551	3,444	2,671	1,608
Other tax payables	3,922	6,245	12,758	10,682
Listing expenses payables	—	—	3,423	5,880
Others	241	162	8	21
Total	5,714	9,851	18,860	18,191

Our other payables increased from approximately RMB5.7 million as at 31 December 2016 to approximately RMB9.9 million as at 31 December 2017, primarily attributable to the increase in staff costs payable as a result of the increase in staff costs and increase in other tax payables as a result of the increase in VAT payables. Our other payables further increased to approximately RMB18.9 million as at 31 December 2018, primarily due to (i) the increase in other tax payables as a result of the increase in VAT payables arising from our increase in revenue in the fourth quarter in 2018; and (ii) the increase in listing expenses payables for professional parties as at 31 December 2018. It slightly decreased to approximately RMB18.2 million as at 30 April 2019, primarily due to (i) the decrease in staff costs payable as a result of the payment of performance related bonus in late 2018 and (ii) decrease in other tax VAT payables as a result of the lower revenue as at 30 April 2019 compared to that of 31 December 2018, partially offset by the increase in listing expenses payables for professional parties as at 30 April 2019.

Tax payables

Our tax payables increased from approximately RMB3.1 million as at 31 December 2016 to approximately RMB9.2 million as at 31 December 2017, and further increased to approximately RMB9.5 million as at 31 December 2018, primarily due to the increase in profit before tax during the Track Record Period. It decreased to approximately RMB7.5 million as at 30 April 2019, primarily due to the settlement of tax payables.

Amounts due from related parties

As at 31 December 2018 and 30 April 2019, we had amount due from related parties of approximately RMB14.9 million and approximately RMB14.8 million, respectively. It primarily represented advances to Qingdao Chaoqun. These amounts were non-trade nature, unsecured, interest free and repayable on demand. Our Directors confirm that the amount will be settled before Listing.

Amounts due to related parties

As at 31 December 2018, our Group primarily recorded an amount due to Qingdao Chaoqun of approximately RMB5.0 million. The amount was non-trade nature, unsecured and carried an interest rate of 5.23% per annum and repayable on demand. It represented a bank loan, entered into jointly by Beijing Ruicheng and Qingdao Chaoqun and the relevant bank. The loan has been utilised by Beijing Ruicheng and was guaranteed by an Independent Third Party, and was fully settled in May 2019.

As at 30 April 2019, the amounts due to related parties increased by approximately RMB1.8 million to approximately RMB6.8 million. The increase of approximately RMB1.8 million primarily represented the amount due to Ms. Wang, which is non-trade nature, unsecured, interest-free and repayable on demand. Our Directors confirm that the amount due to Ms. Wang will be settled through the Loan Capitalisation before Listing.

INDEBTEDNESS

Bank and other borrowings

The table below sets forth a breakdown of the types of borrowings and the analysis of the carrying amount of the bank and other borrowings as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2016	**2017**	**2018**	**2019**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited management accounts)
Bank loans — secured	—	25,000	10,000	10,060	10,000
— unsecured	—	39,083	73,523	74,176	79,799
Other borrowing — secured	—	7,067	—	—	—
	—	71,150	83,523	84,236	89,799
The carrying amounts of the above borrowings are repayable					
— Within one year	—	68,001	83,523	84,236	89,799
— Within a period of over one year but not exceeding two years	—	3,149	—	—	—
	—	71,150	83,523	84,236	89,799
Less: Amounts due within one year shown under current liabilities	—	(68,001)	(83,523)	(84,236)	(89,799)
Amounts shown under non-current liabilities	—	3,149	—	—	—
Amounts due to related parties					
— Qingdao Chaoqun	—	—	5,000	5,000	—
— Ms. Wang	—	—	—	1,777	1,777
	—	—	5,000	6,777	1,777
Amount due to a related party and reclassified as a liability associated with asset classified as held for distribution to owners					
— Beijing Ruicheng Jiaye	—	—	980	—	—
Lease liabilities	9,169	7,167	5,045	4,310	4,626

Our Group's bank and other borrowings were primarily used for our operations and working capital.

Our Group had bank borrowings of nil, approximately RMB64.1 million, RMB83.5 million, RMB84.2 million and RMB89.8 million as at 31 December 2016, 2017 and 2018, 30 April 2019 and 31 August 2019 respectively. As at 31 December 2017, the effective interest rate of our bank borrowings ranged from 5.22% to 8.16% per annum. Among our bank borrowings of approximately RMB64.1 million as at 31 December 2017, (i) a bank loan of RMB25.0 million was secured by a building of the Group with a carrying amount of RMB2.4 million as at 31 December 2017 and guaranteed by Ms. Wang; (ii) bank loans of RMB39.1 million were guaranteed by a guarantee company, an Independent Third Party, who charged an upfront guarantee fees at 2.5% of the corresponding loan principal amounts. Simultaneously, the guarantee provided by the guarantee company was personal guaranteed by Ms. Wang And Ms. Li. These loans were fully settled in 2018. As at 31 December 2018, the effective interest rate of our bank borrowings ranged from 7.18% to 8.55% per annum. Among our bank borrowing as at 31 December 2018, a bank loan of RMB10.0 million was unguaranteed but secured by the Group's trade receivables with certain customers and in March 2019, the bank loan was extended to December 2019. The amortised costs of the bank loan was approximately RMB10.1 million as at 30 April 2019.

As at 31 December 2018, bank loans of RMB73.5 million will mature from June to November 2019. Two of these bank loans of RMB20.0 million were early repaid and borrowed back and will mature in April 2020. As at 30 April and 31 August 2019, the aggregate amortised costs of the bank loans were approximately RMB74.2 million and RMB79.8 million, respectively. These unsecured bank loans were guaranteed by the guarantee company, an Independent Third Party, who charged an upfront guarantee fees at 2.5% of the corresponding loan principal amounts, while bank loan of RMB5,022,000 at of 31 August 2019 was also guaranteed by Beijing Ruicheng.

Our Group had other borrowings of nil, approximately RMB7.1 million, nil, nil and nil as at 31 December 2016, 2017 and 2018, 30 April 2019 and 31 August 2019 respectively. The balance of other borrowing as at 31 December 2017 represented a financing arrangement with Beijing Culture Technology Finance Lease Co., Ltd., an Independent Third Party, pursuant to which our Group transferred the legal title of an internally-developed software which was not capitalised to such Independent Third Party and then leased back. Upon the maturity of the lease, Beijing Ruicheng is entitled to purchase back the software at a cash consideration of RMB100. Despite the arrangement involves a legal form of a lease, Beijing Ruicheng accounted for the arrangement as a secured borrowing at amortised cost using effective interest method, in accordance with the substance of the arrangement. The borrowing bears an effective interest rate of 8.27% per annum and will be repaid by quarterly instalment until July 2019. The borrowing is also guaranteed by Ms. Wang and Ms. Li. Other borrowing was fully settled with early repayment during the year ended 31 December 2018.

Amount due to related parties primarily represented the amounts due to Qingdao Chaoqun and Ms. Wang, which amounted to nil, nil, approximately RMB5.0 million, RMB6.8 million and RMB1.8 million as at 31 December 2016, 2017, 2018, 30 April 2019 and 31 August 2019. The amount due to Qingdao Chaoqun, which is non-trade nature, unsecured, interest-bearing at a rate of 5.23% per annum and repayable on demand, represented a bank loan of RMB5.0 million, entered into jointly by Beijing Reuicheng and Qingdao Chaoqun and the relevant bank. The loan has been utilised by Beijing Ruicheng and is guaranteed by an Independent Third Party, and was fully settled in May 2019. As at 30 April 2019, the amounts due to related parties increased by approximately RMB1.8 million to approximately RMB6.8 million, primarily attributable to the amount due to Ms. Wang. The amount due to Ms. Wang was unsecured and unguaranteed. The amount due to related parties will be settled or released before the Listing.

Amount due to a related party and reclassified as a liability associated with asset classified as held for distribution to owners represented the amount due to Beijing Ruicheng Jiaye of approximately RMB1.0 million as at 31 December 2018. The amount is non-trade nature, unsecured, interest free and repayable on demand. The Group repaid RMB30,000 during the four months ended 30 April 2019 and the rest amounts were distributed to the owners after Beijing Yuehe was established.

The lease liabilities represented the Group's leasehold building as office for operations and were measured at present value of the lease payment that are not yet paid. The lease liabilities amounted to approximately RMB9.2 million, RMB7.2 million, RMB5.0 million, RMB4.3 million and RMB4.6 million as at 31 December 2016, 2017 and 2018, 30 April 2019 and 31 August 2019, respectively. The lease liabilities were secured by rental deposits and unguaranteed.

As at 31 August 2019, being the latest practicable date for the purpose of the indebtedness statement, our Group had aggregate bank loans and facilities of approximately RMB89.8 million which was fully utilised. As at the Latest Practicable Date, we did not have any unutilised banking facilities.

During the Track Record Period, the bank borrowing agreements were entered into with the lenders under normal standard terms and conditions and do not contain any special restrictive covenants. During the Track Record Period and as of the Latest Practicable Date, none of our lenders have claimed default against us under any of the terms in the bank borrowing agreements.

Save as aforesaid or otherwise disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, debentures, finance lease obligations or material contingent liabilities or guarantees outstanding as at 31 August 2019.

Subsequent to 31 August 2019 and up to the Latest Practicable Date, our Group obtained (i) a new facility letter granting additional RMB5.0 million on top of an utilised bank facility of RMB10.0 million as at 31 August 2019; and (ii) a bank facility of RMB13.0 million from the same bank. Pursuant to these bank facility letters, the aggregate amount of these two bank facilities was capped at RMB12.0 million prior to the Listing, which has been fully utilised by our Group as at the Latest Practicable Date. The bank loan was secured by our Group's trade receivables with certain customers. The term of the facility letters start from August 2019 to August 2022 with a prevailing People's Bank of China Renminbi Lending Rate plus 2.9275% per annum. Save as disclosed above, our Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 31 August 2019 and up to the date of this prospectus.

WORKING CAPITAL

Taking into account the financial resources available to our Group, including the available cash and cash equivalents, bank facilities, cash flows generated from our operations, and the estimated net proceeds from the Global Offering, our Directors are of the view, and the Sole Sponsor concurs, that our Group has available sufficient working capital for our present requirements for at least the next 12 months commencing from the date of this prospectus.

CAPITAL EXPENDITURE

During the Track Record Period, we incurred capital expenditures for the purchase of property and equipment and other intangible assets. Our capital expenditures were approximately RMB11.9 million, RMB1.2 million, RMB0.3 million and RMB7,000 for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, respectively. We principally funded our capital expenditures through internal resources and bank borrowings.

The table below sets forth our Group's capital expenditure during the Track Record Period:

	Year ended 31 December			Four months ended 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property and equipment	11,867	1,233	297	7
Other intangible assets	47	—	9	—
Total	11,914	1,233	306	7

As at the Latest Practicable Date, we did not have any significant capital commitments.

CONTINGENT LIABILITIES

As at 31 August 2019, our Group did not have any other significant contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at 31 August 2019, our Group had not entered into any material off-balance sheet commitments and arrangement.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions, details of which are set out in note 37 to the Accountants' Report in Appendix I in this prospectus, our Directors confirm that these transactions were conducted on arm's length negotiations, and all the non-trade balances and guarantees with related parties will be settled and released upon Listing.

KEY FINANCIAL RATIOS

The table below sets forth our selected key financial ratios during the Track Record Period:

	Year ended/as at 31 December			Four months ended/as at 30 April
	2016	**2017**	**2018**	**2019**
Gross profit margin[1]	13.8%	12.6%	12.2%	9.9%
Net profit margin[2]	5.0%	5.7%	6.0%	2.5%
Gearing ratio[3]	9.7%	58.0%	106.4%	102.0%
Current ratio[4]	3.5 times	1.5 times	1.3 times	1.3 times
Return on equity[5]	16.6%	27.9%	53.0%	N/A[9]
Return on assets[6]	11.5%	12.2%	16.2%	N/A[9]
Interest coverage ratio[7]	45.3 times	29.5 times	11.3 times	4.8 times
Net debt to equity ratio[8]	Net cash	15.7%	64.6%	82.7%

Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year/period multiplied by 100%.

2. The net profit margin is calculated by dividing the profit from continuing operations by the revenue for the respective year/period multiplied by 100%.

3. The gearing ratio is calculated by dividing the sum of total bank and other borrowings, amounts due to Qingdao Chaoqun, and lease liabilities by total equity as at the end of respective periods multiplied by 100%.

4. The current ratio is calculated by dividing current assets by current liabilities as at the end of the respective periods.

5. Return on equity equals profit for the year/period from continuing operations divided by the total equity as at the end of the respective periods multiplied by 100%.

6. Return on assets is calculated profit for the year/period from continuing operations divided by the total assets as at the end of the respective periods multiplied by 100%.

7. Interest coverage ratio is calculated by dividing earnings before interest and taxes by interest expenses.

8. Net debt to equity ratio equals net debt divided by total equity at the end of the period. Net debt includes bank and other borrowings, amounts due to Qingdao Chaoqun, and lease liabilities net of bank balances and cash.

9. The return on equity and assets are not applicable for the four months ended 30 April 2019 as they may not be directly comparable to annual figures.

Gross profit margin

Our gross profit margin decreased from approximately 13.8% for the year ended 31 December 2016 to approximately 12.6% for the year ended 31 December 2017, and further decreased to 12.2% for the year ended 31 December 2018, primarily due to the decrease in gross profit margin in TV, online and outdoor advertising services. For the four months ended 30 April 2019, we recorded a relatively low gross profit margin of approximately 9.9%, primarily due to (i) the relatively low gross profit margin of a TV advertising project for the Chinese New Year in 2019 with our major customer in ready-to-drink tea industry; (ii) our pricing strategy to set a relatively competitive price for the customer in telecommunications services industry for the TV advertising services to maintain our business relationship; and (iii) the decrease in gross profit margin from online advertising services as a result of the relatively competitive price for customers for our online advertising services to capture online advertising business.

Net profit margin

The net profit margin increased from approximately 5.0% for the year ended 31 December 2016 to approximately 5.7% for the year ended 31 December 2017, then increased further to 6.0% for the year ended 31 December 2018, primarily due to the lower increasing rate of our expenses than our revenue during the Track Record Period. It decreased to approximately 2.5% for the four months ended 30 April 2019, primarily due to (i) relatively lower gross profit margin in the period and (ii) the listing expenses incurred in connection with the Global Offering.

Gearing ratio

Our gearing ratio increased from approximately 9.7% as at 31 December 2016 to approximately 58.0% as at 31 December 2017, and further increased to approximately 106.4% as at 31 December 2018, which was primarily due to (i) increase in the bank and other borrowings as at the respective year end; and (ii) declaration of dividends for the year ended 31 December 2018. It maintained to approximately 102.0% as at 30 April 2019.

Current ratio

Our current ratio decreased from approximately 3.5 times as at 31 December 2016 to approximately 1.5 times as at 31 December 2017, then further slightly decreased to approximately 1.3 times as at 31 December 2018, which was primarily due to the increase in current portion of bank and other borrowings. It maintained approximately 1.3 times as at 30 April 2019.

Return on equity

Our return on equity increased from approximately 16.6% for the year ended 31 December 2016 to approximately 27.9% for the year ended 31 December 2017, which was primarily due to the increase in profit for the year. It then increased to approximately 53.0% for the year ended 31 December 2018, which was primarily due to the increase in profit for the year and decrease in equity as a result of dividends declared. For the four months ended 30 April 2019, the return on equity is not applicable as it may not be directly comparable to annual figures.

Return on assets

Our return on assets slightly increased from approximately 11.5% for the year ended 31 December 2016 to approximately 12.2% for the year ended 31 December 2017 and further increased to approximately 16.2% for the year ended 31 December 2018, which was primarily due to the increase in profit for the year. For the four months ended 30 April 2019, the return on assets is not applicable as it may not be directly comparable to annual figures.

Interest coverage ratio

Our interest coverage ratio decreased from approximately 45.3 times for the year ended 31 December 2016 to approximately 29.5 times for the year ended 31 December 2017 and further decreased to approximately 11.3 times for the year ended 31 December 2018, which was primarily due to the increase in interest expenses as a result of increase in bank and other borrowings. It decreased to approximately 4.8 times for the four months ended 30 April 2019, primarily due to the increase in listing expenses.

Net debt to equity ratio

We had net cash as at 31 December 2016. Our net debt to equity ratio increased from 15.7% as at 31 December 2017, to approximately 64.6% as at 31 December 2018, which was primarily due to the increase in bank and other borrowings. It increased to approximately 82.7% as at 30 April 2019, primarily due to the decrease in the bank balances and cash.

FINANCIAL RISK MANAGEMENT

During our conduct of business, we are exposed to various types of market risks including interest risk, credit risk and liquidity risk.

Details of the risks to which we are exposed to are set out in note 35 to the Accountants' Report set out in Appendix I in this prospectus.

DIVIDENDS

During the year ended 31 December 2016, 31 December 2017 and 31 December 2018 and the four months ended 30 April 2019, dividends of nil, nil, approximately RMB54.0 million and nil, respectively were paid or declared by our Group. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

After completion of the Global Offering, while we currently have no plans to pay dividends to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

Our Company currently does not have any predetermined dividend payout ratio. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial position, working capital, capital requirements and other factors our Board may deem relevant. We will review our dividend policy from time to time. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 15 January 2019 as an investment holding company and had no reserve available for distributions to our Shareholders as at the Latest Practicable Date.

LISTING EXPENSES

The estimated total listing expenses in connection with the Global Offering are approximately HK$48.9 million or RMB44.1 million (based on the mid-point of the Offer Price of HK$1.50 per Offer Share), of which approximately RMB21.2 million is expected to be capitalised. During the Track Record Period, we incurred listing expenses of approximately RMB13.0 million, of which approximately RMB4.1 million and RMB5.8 million were recognised as expenses in our consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018 and for the four months ended 30 April 2019, respectively. We expect to incur additional listing expenses (including underwriting commission) of approximately RMB31.1 million subsequent to 30 April 2019, of which approximately RMB13.0 million is expected to be recognised as expenses in the consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2019 and approximately RMB18.1 million is expected to be recognised as a deduction in equity directly. The listing expenses above are the latest practicable estimate for reference only, and the act amount may differ from this estimate.

Our Directors consider that our financial results will be affected by the expenses in relation to the Global Offering as we expect to recognise approximately RMB17.9 million in the consolidated statements of profit or loss and comprehensive income for the year ending 31 December 2019. Accordingly, the financial performance for the year ending 31 December 2019 is expected to be adversely affected by the estimated expenses in relation to the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For details of our unaudited pro forma adjusted consolidated net tangible assets, please refer to the section headed "Unaudited Pro forma Financial Information" in Appendix II to this prospectus.

NO MATERIAL ADVERSE CHANGE

Save for the listing expenses in connection with the Global Offering, our Directors confirm that, since 30 April 2019 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position and no event had occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please see "Business — Business Strategies" in this prospectus for further details of our future plans.

REASONS FOR THE GLOBAL OFFERING

Avenue to capture business opportunities for our expansion in TV, online and outdoor advertising services

According to the CIC Report, China's advertising industry is at a stage of expansion, and has experienced a steady growth in recent years. The total size of China's advertising market, in terms of advertisers' expenditure, grew from approximately RMB560.5 billion in 2014 to approximately RMB748.1 billion in 2018, representing a CAGR of approximately 7.5%. The market size of the advertising industry in China is projected to further expand at a CAGR of approximately 8.2% to approximately RMB1,110.4 billion by 2023.

Leveraging on our capability in formulating customised advertising solutions and our in-depth industry experience in providing TV advertising services, we ranked the tenth among approximately 5,000 TV advertising media service providers in the PRC in terms of TV advertising revenue in 2018 according to the CIC Report. As the TV advertising media services market in China is fragmented and our Group only held a market share of approximately 0.3% in terms of the total TV advertising revenue in 2018, our Directors are confident that there will be considerable business opportunities and room in the industry to increase our market share in the TV advertising media services market by enhancing our financial resources.

According to the CIC Report, China's online advertising media services market in terms of advertisers' expenditure increased at a CAGR of approximately 24.5% from 2014 to 2018, and the market size is expected to grow further at a CAGR of approximately 14.2% between 2018 and 2023. In order to capture such potential market growth, we have to strengthen our financial position to enhance our data base and analytical capabilities to better offer our online advertising services. For outdoor advertising media services market, the market size is expected to further increase with a projected CAGR of approximately 6.0% between 2018 and 2023. In particular, there is a potential increase in the subway advertising market due to the continuous development of subway infrastructure in recent years. Our Directors consider a higher liquidity position would enable us to purchase advertising rights in subway for capturing the potential growth in the subway advertising market.

Funding requirements to satisfy the prepayment obligations to our suppliers

In line with the industry norm, our TV and outdoor advertising resources suppliers generally require us to settle payment in full before execution of the advertising solutions. For TV advertising services, we generally require our customers to settle payment within three to 90 days after the execution of the TV advertising solution and the receipt of broadcast confirmations and/or broadcasting reports by customers. For three of our major advertisers in ready-to-drink tea, refrigeration appliances and telecommunications services industries during the Track Record Period, we generally grant them a credit period ranging from 60 to 90 days after execution of the advertising solutions. There are often time lags between making payments to our suppliers and receiving payments from our major customers, resulting in cash flow mismatch. For the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019, the amount of purchase of advertising resources by deposits and prepayments made to the suppliers were approximately RMB216.0 million, RMB477.4 million, RMB529.4 million and RMB131.4 million, which accounted for approximately 80.1%, 82.7%, 77.0% and 54.3% of the total cost of revenue, respectively, and the average time lag between our Group's payments to suppliers and the receipts of settlements from our customers were approximately 66 days, 53 days, 54 days and 55 days, in the corresponding period, taking into account the average turnover days of trade and note receivables, prepayments and trade payables. According to the CIC Report, one of the key success factors of the TV advertising media services market in China is abundant financial resources as the provision of TV advertising services is considered to be capital-intensive and advertising service providers are required to make a significant upfront payment. If we would like to undertake more sizeable projects and capture business opportunities in TV advertising media services market, it is essential for us to improve our financial position.

According to the CIC Report, it is not uncommon for online advertising resources suppliers of a large scale to require customers to pay deposit or make payment before execution of advertising solutions. For outdoor advertising services, we generally require our customers to settle payment either in full or by part prior to the execution of the advertising solutions. Should we be able to raise additional capital through equity financing, we will have a larger sum of cash available to increase our financial resources for procuring advertising resources from our advertising resources suppliers to further support our business expansion.

Limitations of debt financing

For the two years ended 31 December 2018, our Group relied on debt financing to fund our projects and support our business expansion, and our bank and other borrowings as at 31 December 2017 and 2018 and 30 April 2019 amounted to approximately RMB71.2 million, RMB83.5 million and RMB84.2 million, respectively. Such bank and other borrowings increased our interest expenses. Our Group's gearing ratio reached approximately 58.0%, 106.4% and 102.0% as at 31 December 2017 and 2018, and 30 April 2019, hence resulting in our Group having less favourable financing terms offered by banks and other financial institutions such as higher interest rate, requirements for more guarantees and collaterals, limitations on the amount and usage of the loans. This imposed additional cash flow burden on our Group. Furthermore, due to the nature of our advertising service business, we do not hold any significant property or fixed assets which could be provided as collateral. As at the Latest Practicable Date, our Group had no unutilised bank facilities. A listing status in Hong Kong could also minimise the need of engaging third party guarantee companies when we apply for bank loans in the future, hence resulting in the decrease in our guarantee fee and finance cost. In addition, a listing status could allow us to obtain bank borrowings at better financing terms as compared to those offered to private companies.

Unlike the position with regard to debt financing, equity financing would not divert capital from our business to repay the loan regardless of the performance of the business. Our Group can retain the flexibility and capability for business development and dividend payment to create greater value for our Shareholders.

Enhancing our Group's corporate profile and brand awareness and increasing our competitiveness

Our Directors believe that a public listing status will enhance our corporate profile and assist us in reinforcing our brand awareness and reputation. We believe that a public listing status on the Main Board is a complementary advertising for our Group to potential investors and customers and can enhance our corporate profile and our credibility with the public and potential business partners given a public listed company's greater transparency, relevant regulatory supervision and stability generally. The Global Offering will therefore serve to promote our corporate profile and brand awareness. Moreover, we believe that the Listing will strengthen our internal control and corporate governance practices, which in turn would increase our customers' confidence on us and attract potential customers.

According to the CIC Report, the advertising market in the PRC is competitive, with over one million participants in the market in 2018. Within such a highly competitive industry, some of our competitors, being listed companies, may enjoy an advantage over us given their listing status as detailed above. Our Directors are of the view that such competitive advantages which our listed competitors have over us place our Group in a disadvantaged position especially when we are competing for more sizeable advertising projects from new customers, of whom we have not worked with previously.

Enhancing market status amongst customers, suppliers and employees

Our Directors believe that a listing status on the Main Board will enhance our credibility with our customers and suppliers and thus, enhance our level of competitiveness in competing for both the advertising projects from customers and the advertising resources from suppliers. With such status, our Group can be differentiated from market competitors, enhancing our capability of competing for sizable and profitable projects and quality advertising resources. Our Directors believe that as a listed company, we will be able to retain our existing employees more effectively, at both operational and administrative level. Our employees will feel more stable and secured about their employment with us, rather than joining a private company, hence strengthening their morale at work.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK$1.50, being the mid-point of the indicative Offer Price range, will be approximately HK$101.1 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply the net proceeds in the following manner:

- approximately 47.7%, or HK$48.2 million, is expected to be used to enhance our market position in TV advertising through strengthening our financial position to satisfy the prepayment obligation to TV stations to acquire TV advertising resources, consisting of:

  ▷ approximately 21.1%, or HK$21.3 million, is expected to be used to satisfy our prepayment obligation to TV stations to acquire TV advertising time slots during prime time from first-tier provincial satellite TV stations for our customers. During the Track Record Period, we incurred cost of approximately RMB147.5 million, RMB271.7 million, RMB264.1 million and RMB91.0 million in procuring TV advertising time slots, respectively. As we intend to increase our market share in the TV advertising media services market, while there are often time lags between making payments to our suppliers and receiving payments from our major customers which imposed pressure on our cash flow, our Directors consider the net proceeds from the Global Offering would allow our Group to improve our liquidity to purchase TV advertising time slots for our customers, hence enabling us to undertake more sizeable projects and capture potential business opportunities;

▷ approximately 21.1%, or HK$21.3 million, is expected to be used to satisfy our prepayment obligation to TV stations to acquire the rights to implant soft-sell advertisements in variety shows with high viewership and demand from first-tier provincial satellite TV stations for our customers. During the Track Record Period, we incurred cost of approximately RMB117.6 million, RMB255.5 million, RMB204.1 million and RMB19.1 million in procuring advertising resources in advertising solution packages, containing soft-sell advertising rights, respectively. As China's soft-sell TV advertising market in terms of advertisers' expenditure increased steadily in recent years and is expected further expand to approximately RMB115.8 billion by 2023, representing a CAGR of approximately 7.1% between 2018 and 2023, our Directors consider the demand of our customers for soft-sell TV advertisements will continue to grow. As such, the increase in our liquidity allows us to satisfy the growing demand of our customers and strengthen our capability in undertaking more sizeable projects which involved soft-sell advertisements in popular variety shows;

▷ approximately 5.5%, or HK$5.6 million, is expected to be used to purchase the exclusive right to deal with the soft-sell TV advertising resources in the Parent-child Variety Show. Due to the rapid growth of China's parent-child market over the past few years, our Group contracted with a TV station in Beijing for the soft-sell advertising rights in the Parent-child Variety Show in November 2018 for a term from 1 December 2018 to 31 December 2020. The term was extended to 30 June 2021 due to the change of broadcasting timetable. The show has been broadcast on a local TV channel and subway TV in Beijing since January 2019. Our Group is required to pay RMB10.0 million to the TV station for the exclusive right to deal with soft-sell advertising in the show. We will pay the TV station according to the number of episode broadcasted. According to the tentative broadcasting timetable of the show, 29, 52 and 23 episodes will be broadcasted in 2019, 2020 and 2021, respectively, and the estimated payment to the TV station will be approximately RMB2.8 million, RMB5.0 million and RMB2.2 million in the corresponding year. As at the Latest Practicable Date, 20 episodes were broadcasted and we have paid approximately RMB3.0 million to the TV station, including a deposit of RMB1.0 million, which will be deducted from our payment to the TV station during the term.

  As such, we intend to utilise approximately HK$5.6 million (equivalent to approximately RMB5.0 million) of the net proceeds of the Global Offering to pay the outstanding sum to the TV station according to the payment schedule in the relevant contract;

- approximately 30.0%, or HK$30.4 million, is expected to be used to further develop our online advertising business:

  ▷ approximately 21.2%, or HK$21.4 million, is expected to be used to enhance our online advertising resources supplier base through exploring cooperation opportunities with suppliers of a larger scale and purchasing online advertising resources, primarily the rights to place advertisements on online platforms such as websites, online video platforms, search engines, applications and social media platforms. Leveraged on our expertise in contenting marketing relating to soft-sell TV advertisements, we intend to strengthen our position as a multi-channel advertising service provider specialising in contenting marketing in both TV and online advertising services. For example, we plan to cooperate with operators of online video platforms to assist customers to purchase both soft-sell and hard-sell TV advertising rights in variety shows to be played on online video platforms. In line with the industry norm, we are required to purchase soft-sell advertising rights from the operators of online video platforms as the soft-sell TV advertisements originally implanted in the variety shows will be redacted if we did not acquire such rights from them. For customers who have already purchased soft-sell advertising rights on TV channels, we will propose the options to further purchase the advertising rights in the same variety shows or TV series to be broadcasted on online video platforms to maximise the advertising effects of such advertisements to allow the advertisements to reach not only TV audience, but also internet viewers. For other potential customers, we will include in our proposals various suggestions containing online content marketing and to promote ourselves as a multi-channel advertising service provider which is capable in offering TV, online (including the abovementioned content marketing) and outdoor advertising services to enhance the attractiveness and effectiveness of our advertising proposals;

▷ approximately 4.4%, or HK$4.5 million, is expected to be used to expand our customer and supplier base in online advertising services and strengthen our capabilities in conducting data analysis and formulating online advertising solutions through recruiting six staff in online advertising services over the next two years with the following experience and qualification:

Position	Minimum year(s) of experience	Qualifications	Estimated salary for two years	
			(RMB'000)	*(HK$'000)*
One sales director	Five years of experience in management and sales and marketing relating to online advertising business	Bachelor degree or above in advertising, marketing, internet or related disciplines	800	888
One media operation director	Five years of experience in media negotiation and coordination with online advertising resources suppliers	Bachelor degree or above in advertising, journalism, media communications or related disciplines	800	888
One strategy formulation director	Five years of experience in formulating and evaluating online advertising proposals	Bachelor degree or above in advertising, journalism, media communications, Chinese or related disciplines	800	888
Three sales managers	Three years of experience in management and sales and marketing relating to online advertising business	Bachelor degree or above in advertising, marketing, internet or related disciplines	1,890	2,097

During the Track Record Period, we relied on our existing staff to develop our online advertising business, who were at the same time primarily responsible for TV advertising businesses. In order to capture the potential business opportunities in the growing online advertising market, the expansion of our online advertising business, and to keep up with the development of online technologies, our Directors consider it is important to recruit additional staff specialised in providing online advertising services to allow our Group to specialise in (i) exploring new business opportunities from potential customers for our online advertising services; (ii) expanding our supplier network with online advertising resources suppliers particularly with ultimate online advertising resources suppliers such as operator of different online platforms; and (iii) improving the quality and the precision rate of our online advertising solutions tailor-made for customers. Due to the rapid development of technologies, the types of online advertising platforms and services, our Directors consider it is crucial to recruit specialised and professional staff with a certain degree of knowledge on online advertising, instead of allocating some of our staff responsible for TV advertising services to online advertising services, as the relevant skills, expertise and industry know-how are not easily and readily transferable;

▷ approximately 4.4%, or HK$4.5 million, is expected to be used to strengthen our data analytical and strategy formulation capabilities through enhancing our data base relevant to the provision of our online advertising services. During the Track Record Period, due to our limited access to the execution data after the completion of our online advertising solutions, we were unable to (i) ascertain the accuracy of the execution data of the online advertising solutions given by the relevant suppliers; and (ii) generate evaluation reports relating to our online advertising services for our customers. In order to enhance the quality of our online advertising services and our competitiveness in the fragmented and competitive online advertising market, we plan to acquire the following softwares so as to (i) verify the execution of our online advertising solutions; (ii) compare the execution data with that of the competitors of our customers; and (iii) understand the behaviour of targeted internet users:

Software to be acquired	Functions	Estimated amount for two years	
		(RMB'000)	*(HK$'000)*
— AdTracker: to generate industry data on (i) the online advertising resources and platforms used by brand owners; (ii) types of advertisements chosen by brand owners; (iii) references relating to the creative ideas and content used in online advertising solutions	To conduct competitive product analysis for our customers in preparing our online advertising proposals through comparing the online advertising platforms and the types of online advertisements used by the competitors of our customers	720	799
— mUserTracker: to generate data on a daily, weekly or monthly basis in relation to the frequency and the length of time in browsing and using the mobile applications, and the common types of mobile applications and platforms used by mobile phone users	To monitor the behaviour of targeted mobile phone users such as their preference and usage of various mobile platforms which enable us to offer online advertising proposals and advertising solutions focusing on mobile platforms with higher precision	960	1,065
— Miaozhen Admonitor: to generate monitoring data such as the number of impression and clicks, and the number of people viewing and clicking the online advertisements	To verify and provide confirmation on the execution of the online advertising solutions, and assess the effectiveness of online advertisements quantitatively through tracking the number of impressions and clicks	1,660	1,842
— VideoTracker: to generate specific industry data relating to online videos such as their viewership on different online video platforms, comparison of the viewership by genre of the online videos, and the viewer preference on the type of online videos	To assist the development of content marketing in our online advertising business by assessing the popularity and quality of the online videos in which advertisements were implanted, and the advertising effects of the advertisements implanted in online videos	960	1,065

- approximately 12.3%, or HK$12.4 million, is expected to be used to further develop our outdoor advertising business:

  ▷ approximately 11.1%, or HK$11.2 million, is expected to be used to purchase outdoor advertising resources, which will primarily be advertising time slots in subway TV on various subway lines in the PRC;

  ▷ approximately 1.2%, or HK$1.2 million, is expected to be used to expand our customer and supplier base in outdoor advertising services through recruiting additional two staff in outdoor advertising services over the next two years with the following experience and qualification:

Position	Minimum year(s) of relevant experience	Qualifications	Estimated salary for two years	
			(RMB'000)	*(HK$'000)*
One sales manager	Five years of experience in management and sales and marketing relating to outdoor advertising business	Bachelor degree or above in marketing or related disciplines	630	699
One media operation executive	Three years of experience in media negotiation with and purchase from outdoor advertising suppliers	Bachelor degree or above in advertising, journalism, marketing or related disciplines	440	488

  They will be responsible for exploring potential customers and suppliers which may be located in different geographical locations in the PRC. According to the CIC Report, there is a potential increase in the subway advertising market due to the continuous development of subway infrastructure in recent years. In order to capture such potential business opportunities, our Directors consider it is important to recruit additional staff specialised in providing our outdoor advertising services, particularly subway advertising services, to (i) offer customers more options on the type of and the platforms for placing subway advertisements; and (ii) promote our subway advertising or other outdoor advertising services to potential customers;

- approximately 10.0%, or HK$10.1 million, is expected to be used to strengthen our strategy formulation and data analytical capabilities and enhance our reputation in the market:

  ▷ approximately 6.2%, or HK$6.3 million, is expected to be used to acquire more comprehensive market and industry data. During the Track Record Period, due to our budget consideration, we (i) only utilised data base of basic versions, which might have a relatively slower delivery time and limited number of delivery; and (ii) searched the relevant public data, thus hampering the reliability of the data presented in our proposals and evaluation reports, increasing the workload of our staff in the strategy formulation department and lengthening the time we need in formulating proposals and evaluation reports. As (i) China's TV advertising media services, online and outdoor advertising markets are competitive as of 2018 according to the CIC Report; and (ii) it is essential for us to enhance our competitiveness through improving our advertising services for multi-channel advertising, especially in formulating advertising proposals tailor-made for our customers and evaluating the advertising solutions executed, we have to strengthen our strategy formulation, monitoring and evaluating capabilities. Therefore, we intend to acquire the following data:

Software and data to be acquired	Functions	Estimated amount for two years	
		(RMB'000)	*(HK$'000)*
— advanced industry data from CSM Media Research Co., Ltd. ("**CSM**") on (i) viewership of different TV channels in various level of cities in the PRC; and (ii) consumer behaviour and preference on the types of advertising platforms, genre of TV programmes and consumption pattern	To offer advertising proposals and solutions with higher precision through analysing the popularity of different TV programmes and TV channels, and preference and behaviour of consumers	2,800	3,106
— AdEx Power from CVSC-TNS RESEARCH: to generate monitoring data after the execution of TV advertising solutions such as the date and the number of broadcast, the broadcasting channels and programmes, and the price of the broadcast in different TV channels	To (i) verify and provide confirmation on the execution of TV advertising solutions and (ii) understand the historical TV advertising pattern and information of our customers and their competitors	1,260	1,398

Software and data to be acquired	Functions	Estimated amount for two years *(RMB'000)*	*(HK$'000)*
— advanced data from CSM specifically for showing the effects of hard-sell TV advertisements on the gross rating point, the number of people covered, reach rate, frequency of the broadcast of the hard-sell TV advertisements	To evaluate the effectiveness of the hard-sell TV advertisements, after inputting historical broadcasting data of generated from AdEx Power, and allow us to compare the advertising effects of the hard-sell advertising solutions of competitors of our customers	1,120	1,243
— advanced data from Beijing Jirang Technology Co. Ltd.* (北京擊壤科技有限公司) ("**Beijing Jirang**") specifically for implantation of TV soft-sell advertisements on the frequency and the length of time of the implantation of soft-sell TV advertisements, and the types and methods for the implantation	To (i) verify the execution of soft-sell TV advertising solutions; (ii) evaluate the effectiveness of soft-sell TV advertisements; and (iii) understand the trend on implantation of soft-sell TV advertisements	420	466
— advanced data from Beijing Jirang specifically for implantation of online soft-sell advertisements on the frequency and the length of time of the implantation of soft-sell advertisements in online videos, and the types and methods for the implantation	To evaluate the effectiveness of soft-sell advertisements in variety shows to be played on online video platforms, which allows us to provide corresponding evaluation services when we develop content marketing in our online advertising services	420	466

▷ approximately 2.2%, or HK$2.2 million, is expected to be used to promote our brands through strengthening our marketing efforts such as (i) placing advertisements on different platforms including online and outdoor platforms; (ii) setting up and managing our public accounts on social media platforms through posting our advertisements, analyses and articles on such platforms; (iii) publishing advertisements, articles and our successful case studies on journals in the advertising industry and our website; and (iv) participating in exhibitions and conferences in the advertising industry; and

▷ approximately 1.6%, or HK$1.6 million, is expected to be used to strengthen our strategy formulation capabilities through (i) upgrading our IT facilities for enhancing our data analytical capabilities; and (ii) recruiting three staff for our strategy formulation department over the next two years with the following experience and qualification:

Position	**Minimum year(s) of experience in data analysis**	**Qualifications**	**Estimated salary for two years**	
			(RMB'000)	*(HK$'000)*
Two research managers	Three	Bachelor degree or above in advertising, marketing, economics, statistics or related disciplines	1,200	1,331
One researcher	One	Bachelor degree or above in advertising, marketing, economics, statistics or related disciplines	300	333

These additional staff will allow us to (i) improve our advertising services through generating advertising proposals and evaluation reports with higher precision; and (ii) expand our customer base through offering customised advertising proposals to potential customers after conducting research and analysis on their market position, ranking, advertising preference and history, targeted consumers and competitors.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds, assuming that the Over-allotment Option is not exercised, will increase to approximately HK$123.3 million or decrease to approximately HK$78.8 million, respectively; and in such event, we intend to increase or decrease, respectively, the net proceeds to be used for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds will increase to approximately HK$121.1 million, assuming an Offer Price of HK$1.50, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds including the proceeds from the exercise of the Over-allotment Option will increase to approximately HK$146.7 million or decrease to approximately HK$95.5 million, respectively, and in such event, we intend to increase or decrease, respectively, the allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds are not sufficient to fund the purposes as set forth above, we intend to fund the balance through our internal funds. Should our Directors decide to reallocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, we may hold such funds in short term demand deposits with banks in Hong Kong or the PRC and/or through money market instruments.

HONG KONG UNDERWRITERS

Dongxing Securities (Hong Kong) Company Limited
Aristo Securities Limited
Chuenman Securities Limited
Zundiao Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares to be issued pursuant to the Capitalisation Issue and the Loan Capitalisation and pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme) by the Listing Division and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally but not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by giving a written notice to our Company to terminate the Hong Kong Underwriting Agreement if any of the following events occur at any time prior to 8:00 a.m. on the Listing Date (which is expected to be on Tuesday, 12 November 2019):

(a) there has come to the notice of the Joint Global Coordinators or any Hong Kong Underwriters:

(i) that any statement contained in this prospectus, the Application Forms, any supplemental offering materials considered by the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and/or the Co-Managers in its/their sole and absolute discretion, was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom considered by the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and/or the Co-Managers in its/their sole and absolute discretion to be material to the Global Offering; or

(iii) any material adverse change or development involving a prospective material change (whether or not permanent) in the business affairs, prospects or the financial or trading position of the Group; or

(iv) any of the representations, warranties, agreements and undertakings given by the Company, the executive Directors and the Controlling Shareholders (the "**Warranties**") under the Hong Kong Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or repeated; or

(v) approval by the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and the Shares in issue and to be issued pursuant to the Global Offering, the Loan Capitalisation and the Capitalisation Issue on the Main Board and the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of any option which may be granted under the Share Option Scheme is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vi) that any of the experts described under "Statutory and General Information — E. Other information — 6. Qualifications 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, summaries of valuations and/or legal opinions (as the case may be) and reference to its name included in the form and context in which it respectively appears; or

(b) there shall develop, occur, exist, continue to exist or come into effect:

(i) any event or series of events of force majeure involving any Relevant Jurisdiction (as defined in (ii) below), beyond the control of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers or the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, war, threat of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation); or

(ii) any adverse change or development involving a prospective change, or any event or series of events currently in existence or otherwise, likely to result in any change or development (whether or not permanent) in local, national, regional or international, economic, currency, legal, exchange control, political, military, fiscal or regulatory conditions, circumstances or matters and/or disaster or any monetary or trading settlement systems in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States or any other jurisdiction relevant to any member of our Group (collectively, the "**Relevant Jurisdictions**", each a "**Relevant Jurisdiction**") (including, without limitations, any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures in the Relevant Jurisdictions or anywhere in the world); or

(iii) any new publicly available laws, rules, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings (the "**Relevant Laws**") of any court, government, governmental or regulatory authority or any other any public, regulatory, taxing, administrative or governmental, agency or authority, any self-regulatory organisation or any securities exchange authority (including, without limitation, the Stock Exchange and the SFC), other authority and any court at the national, provincial, municipal or local level of the Relevant Jurisdictions ("**Government Authority**") or policy or directive or change (whether or not forming part of a series of changes) or development in existing Relevant Laws or policy or directive or in the interpretation or application thereof by any court or Government Authority or other competent authority in the Relevant Jurisdictions; or

(iv) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement (other than on the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Hong Kong Underwriters); or

(v) any material breach of any of the Warranties, as determined by the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and/or the Co-Managers in its/their sole and absolute discretion; or

(vi) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, the Relevant Jurisdictions or any other country or organisation on the Relevant Jurisdictions; or

(vii) a material change or development occurs involving a prospective material change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in the Relevant Jurisdictions; or

(viii) any change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed "Risk Factors" in this prospectus; or

(ix) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or

(x) any valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xi) any material loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xii) 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 to take 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

(xiii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or the Relevant Jurisdictions; or

(xiv) 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 crisis involving or affecting the Relevant Jurisdictions; or

(xv) there is a material change in the system under which the value of the HK$ is linked to that of the US dollar or a devaluation of the HK$ or Renminbi against any foreign currencies; or

(xvi) the commencement by any judicial, regulatory, governmental or political body or organisation of any action, claim or proceedings of material importance against any member of the Group or any Director or an announcement by any judicial, regulatory, governmental or political body or organisation that it intends to take any such action; or

(xvii) a demand by any tax authority for payment for any tax liability for any member of the Group; or

(xviii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company, or the chairman or chief executive officer of the Company vacating his office; or

(xix) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

(xx) a prohibition on the Company for whatever reason from allotting and issuing the Offer Shares (including any Shares to be issued pursuant to the exercise of the Over-allotment Option and/or the options that may be granted under the Share Option Scheme) pursuant to the terms of the Global Offering; or

(xxi) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the Global Offering) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xxii) any event, act or omission which gives rise to or is likely to give rise to any liability of any of the Company, the executive Directors and the Controlling Shareholders pursuant to the indemnity contained in the Hong Kong Underwriting Agreement; or

(xxiii) any material non-compliance with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance or any applicable Relevant Laws by the Company with respect to any matters relating to the Global Offering, the Offer Shares, the Listing and/or any other related matters,

which in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters) (1) is or shall have a material adverse change, or any development involving a prospective material adverse change, in the business, financial or operational condition or in the earnings, management, prospects, assets or liabilities of any member of the Group, whether or not arising in the ordinary course of business ("**Material Adverse Effect**"); or (2) has or shall have a Material Adverse Effect on the success, marketability or pricing of the Global Offering or the level of interest under the Global Offering; or (3) is or will or may make it inadvisable, inexpedient, impracticable or not commercially viable (i) for the Global Offering to proceed or (ii) for any material part of the Hong Kong Underwriting Agreement to be performed or implemented as envisaged or (4) having any material non-compliance incident in respect of the Global Offering and/or the Listing, with consideration of Relevant Law(s).

Undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company undertakes to the Stock Exchange that save as pursuant to the Global Offering (including the Over-allotment Option and the grant and exercise of the options under the Share Option Scheme), no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by us, or form the subject of any agreement by us to such an issue, within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the International Placing (including pursuant to the exercise of the Over-allotment Option), any exercise of the options which may be granted under the Share Option Scheme or any of the circumstances permitted pursuant to Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders, on a voluntary basis, undertakes to our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters and the Stock Exchange that, except pursuant to the Global Offering (including the Over-allotment Option and the grant and exercise of the options under the Share Option Scheme) and for the circumstances permitted pursuant to Rule 10.07 of the Listing Rules, he/it shall not, and shall procure that the relevant registered holder(s) of the Shares shall not,

(a) within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (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 in respect of which he/it is shown by this prospectus to be the beneficial owner; and

(b) within 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 referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

Each of the Controlling Shareholders further irrevocably undertakes and covenants with our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Hong Kong Underwriters and the Stock Exchange that he/it shall, and shall procure that the relevant registered holder(s) shall,

(a) in the event that he/it pledges or charges any direct or indirect interest in the Shares pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) under Note 3 to Rule 10.07(2) of the Listing Rules, at any time during and ending on the expiry of the Second Six-Month Period, inform our Company immediately thereafter; and

(b) having pledged or charged any interest in the Shares under (a) above, inform our Company immediately in the event that he/it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

In the event that our Company has been informed of any above matters (if any), we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 2.07C of the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company irrevocably undertakes to and covenants with each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Hong Kong Underwriters, and each of the Controlling Shareholders and the executive Directors jointly and severally undertakes to and covenants with the Sole Sponsor, the Joint Global Coordinators, Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Hong Kong Underwriters to procure that, save with the prior written consents of the Sole Sponsor, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and in compliance with the Listing Rules and the applicable laws, and save pursuant to the Global Offering, the Loan Capitalisation, the Capitalisation Issue, the Stock Borrowing Agreement, and the issue of Shares pursuant to the Share Option Scheme our Company shall not:

(a) at anytime during the First Six-Month Period:

(i) offer, allot or issue, or agree to offer, allot, issue (conditionally or unconditionally) any Shares or securities convertible into or exchangeable for equity securities of the Company (whether or not of a class already listed); or

(ii) grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for or otherwise acquire or convertible or exchangeable into Shares or other securities of the Company (whether or not of a class already listed); or

(iii) enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any of its affiliates, either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or

(iv) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or securities convertible into or exchangeable for such Shares; or

(v) buy-back any Shares or securities of the Company; or

(vi) offer to or agree to do any of the foregoing or announce any intention to do so;

(b) at anytime during the Second Six-Month Period do any of the acts set out in paragraph (a) above, so as to result in the Controlling Shareholders (together with any of its associates) either individually or taken together with the others of them cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company;

(c) in the event that our Company does any of the acts set out in paragraphs (a) and (b) above after the expiry of the First Six-Month Period or the Second Six-Month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Undertaking by our Controlling Shareholders

Each of the Controlling Shareholders irrevocably undertakes to and covenants with each of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Hong Kong Underwriters that, without the prior written consent of each of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Co-Managers, it shall not directly or indirectly and shall procure that none of its associates or the companies controlled by it or any nominee or trustee holding in trust for it shall:

(a) during the First Six-Month Period:

(i) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, nor enter into any agreements to sell, transfer or dispose of or otherwise create any options, warrants, rights, interests or a mortgage, charge, pledge, lien, option, restriction, right of first refusal, security interest, claim, equity interest, right of pre-emption, third-party right or interest, or interests or rights of the same nature as the foregoing or other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect ("**Encumbrances**") (including the creation or entry into of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charge, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) on any of the Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such shares therein owned by it or any of its associates or in which it or any of its associates is, directly or indirectly, interested immediately after the completion of the Loan Capitalisation, the Capitalisation Issue, the Global Offering and the issuance and allotment of any other Shares or securities of or interest in the Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares or such securities; or

(ii) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, nor enter into any agreements to sell, transfer or dispose of or otherwise create any options, warrants, rights, interests or Encumbrances (including the creation or entry into of any agreement to create any pledge or charge or Encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition whether by actual disposition or effective economic disposition due to cash settlement or otherwise) on any shares or interest in any company controlled by it or any of its associates which is the beneficial owner (directly or indirectly) of any of such securities or any interests therein as referred to in paragraph (a)(i) above (or any other shares or securities of or interest in such company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); or

(iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a)(i) and (a)(ii) above; or

(iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a)(i), (a)(ii), or (a)(iii) above.

(b) during the Second Six-Month Period:

(i) sell, transfer, dispose of, offer to sell, transfer or disposal of nor enter into any agreement to sell, transfer or dispose of or create any options, warrants, rights, interests or Encumbrances (including the creation or entry into of any agreement to create any pledge or charge or Encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) on any shares in any company controlled by it or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or any interests therein as aforesaid if, immediately following such disposal or creation of rights, the Controlling Shareholders (together with its associates) would, directly or indirectly, cease to be a controlling shareholder of the Company (within the meaning of the Listing Rules) or cease to hold, directly or indirectly, a controlling interest of over 30.0%, or such lower amount as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer, in the Company;

(ii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (b)(i) above announce any intention to enter into or effect any of the transactions referred to in paragraph (b)(i) above.

In the event of a disposal by it of any of the Shares or securities or any interest therein during the Second Six-Month Period, it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of the Company.

Undertaking by other Shareholders

Each of Jing Gen, Haohuan, Henghe, Jujia, Ruichengtianhe, Youyi, Chengyunruicheng, Ruichengdemao and Hengrui, on a voluntary basis, has irrevocably undertaken to and covenanted with our Company that, it shall not, during 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 in respect of which any one of them is shown by this prospectus to be the beneficial owner(s).

The International Placing

International Underwriting Agreement

In connection with the International Placing, it is expected that our Company will enter into the International Underwriting Agreement with, *inter alia*, the International Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement and on the additional terms described below. Pursuant to the International Underwriting Agreement, we are offering the International Placing Shares for subscription by way of International Placing, on and subject to the terms and conditions in the International Underwriting Agreement and this prospectus, at the Offer Price. Under the International Underwriting Agreement, subject to, among other conditions, (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange; (ii) the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated; (iii) the Price Determination Agreement having been duly signed by the Company and the Joint Global Coordinators (acting for themselves and on behalf of the Underwriters) on the date thereof and such agreement not subsequently having been terminated in accordance with its terms or otherwise; and (iv) certain other conditions set out in the International Underwriting Agreement, the International Underwriters have severally agreed to subscribe for, or procure subscribers for their respective applicable proportions of the International Placing Shares on the terms and conditions of the International Placing. The International Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

It is expected that our Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time until the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, to require our Company to issue up to an aggregate of 15,000,000 additional new Shares, representing in aggregate 15.0% of the Offer Shares initially available under the Global Offering at the Offer Price, under the International Placing to cover over-allocations (if any) in the International Placing.

It is expected that, pursuant to the International Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement, as described in the paragraph headed "Underwriting Arrangements and Expenses — The Hong Kong Public Offer — Undertakings Pursuant to the Hong Kong Underwriting Agreement" in this section.

Total commission, fee and expenses

In connection with the Global Offering, the Hong Kong Underwriters will, and the International Underwriters are expected to receive an underwriting commission of 10.93% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. If any of Over-allotment Option is exercised, the underwriting commission will be calculated in the same manner with the Offer Shares initially available for subscription. In addition, we may pay to the Underwriters a discretionary incentive fee.

The aggregate commissions and estimated expenses, together with Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to be approximately HK$48.9 million (assuming the Over-allotment Option is not exercised and based on the mid-point of the Offer Price of HK$1.50 per Share) and are payable by our Company.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

SOLE SPONSOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their interests and obligations under the Underwriting Agreements and the sponsorship fee payable to the Sole Sponsor in respect of the Listing, none of the Sole Sponsor and the Underwriters are interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25.0% of the total issued Shares held in public hands in accordance with Rule 8.08(1) of the Listing Rules after completion of the Global Offering.

THE GLOBAL OFFERING

The Global Offering comprises:

(a) the Hong Kong Public Offer of 10,000,000 Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed "The Hong Kong Public Offer" in this section; and

(b) the International Placing of an aggregate of 90,000,000 Shares (subject to reallocation as mentioned below and the Over-allotment Option) outside the U.S. (including to professional, institutional and/or other investors within Hong Kong) in offshore transactions in reliance on Regulation S or pursuant to another exemption from the registration requirements under the U.S. Securities Act as described in the paragraph headed "The International Placing" in this section.

Investors may apply for Offer Shares under the Hong Kong Public Offer or apply for or indicate an interest for Offer Shares under the International Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Hong Kong Public Offer.

The Offer Shares will represent 25.0% of the total issued share capital of our Company immediately after completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

THE HONG KONG PUBLIC OFFER

Number of Shares initially offered

We are initially offering 10,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between the Hong Kong Public Offer and the International Placing, the Hong Kong Offer Shares will represent approximately 2.5% of the total issued share capital of our Company immediately following the completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and/or other investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Global Offering" in this section.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offer (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5,000,000 (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5,000,000 (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offer and any application for more than 5,000,000 Hong Kong Offer Shares is liable to be rejected.

The maximum number of Hong Kong Offer Shares available for application in pool A and pool B is 5,000,000 Hong Kong Offer Shares, respectively, representing half of the total number of Hong Kong Offer Shares.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation. Paragraph 4.2 of Practice Note 18 to the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offer to a certain percentage of total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

The allocation of Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation on the following basis:

(a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then 20,000,000 Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be 30,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then 30,000,000 Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the number of Offer Shares available under the Hong Kong Public Offer will be 40,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

(c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then 40,000,000 Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be 50,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

Where (i) the International Placing Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer; or (ii) the International Placing Shares are fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, the Offer Shares to be offered in the Hong Kong Public Offer and International Placing may be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters), on the following conditions in accordance with Guidance Letter HKEx-GL-91-18:

(i) the total number of the Offer Shares that may be reallocated from the International Placing to the Hong Kong Public Offer shall not be more than the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, i.e. 10,000,000 Shares, then the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 20,000,000 Offer Shares, representing 20% of the number of Offer Shares initially available under the Global Offering; and

(ii) the Offer Price shall be fixed at HK$1.25, being the bottom end of the indicative Offer Price range.

In all cases, the number of Offer Shares allocated to the International Placing will be correspondingly reduced. If reallocation of Shares from the International Placing to the Hong Kong Public Offer is done other than pursuant to the clawback mechanism under Practice Note 18 to the Listing Rules (including the circumstances specified under paragraph (a), (b) or (c) above), the Offer Shares to be offered in the Hong Kong Public Offer and the International Placing may be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters), subject to the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offer, being 20,000,000 Shares, representing twice the number of Offer Shares initially allocated to the Hong Kong Public Offer, in accordance with Guidance Letter HKEx-GL-91-18.

In addition, if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators have the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares to the International Placing.

Details of any reallocation of Offer Shares between the Hong Kong Public Offer and the International Placing will be disclosed in the results announcement of the Global Offering, which is expected to be published on Monday, 11 November 2019.

Applications

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he 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 Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

Multiple or suspected multiple applications and any application for more than 50% of the Hong Kong Offer Shares initially comprised in the Hong Kong Public Offer are liable to be rejected. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum price of HK$1.75 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee, amounting to a total of HK$3,535.27 per board lot of 2,000 Offer Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Price Determination of the Global Offering" in this section, is less than the maximum price of HK$1.75 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The International Placing will consist of an initial offering of 90,000,000 Shares (subject to reallocation and the Over-allotment Option), representing 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.5% of the total issued share capital immediately after completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). The International Placing will be offered by us to professional, institutional and/or other investors outside the U.S. in offshore transactions in reliance on Regulation S or pursuant to another exemption from the registration requirements under the U.S. Securities Act.

Allocation

The International Placing will include selective marketing of the International Placing Shares to professional, institutional and/or other investors anticipated to have a sizeable demand for the International Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Placing Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Price Determination of the Global Offering" below and based on a number of factors, including the level and timing of demand, and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered International Placing Shares under the International Placing, and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described in the paragraph headed "The Hong Kong Public Offer — Reallocation" in this section and/or the exercise of the Over-allotment Option in whole or in part. In addition, the Joint Global Coordinators may reallocate International Placing Shares from the International Placing to the Hong Kong Public Offer to satisfy the valid applications under the Hong Kong Public Offer that exceeds the number of Hong Kong Offer Shares initially offered. The Offer Shares to be offered in the Hong Kong Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Placing. Prospective investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Tuesday, 5 November 2019 by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, and, in any event, not later than Monday, 11 November 2019, and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$1.75 per Offer Share and is expected to be not less than HK$1.25 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Prospective investors should be aware that the Offer Price to be determined on or about the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and/or other investors during the 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 below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer, cause there to be published on the website of our Company (**www.reach-ad.com**) and the website of the Stock Exchange **(www.hkexnews.hk)** a notice of the reduction or to be announced in such manner as permitted under the Listing Rules and agreed between our Company and the Joint Bookrunners. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the

Underwriters) and our Company, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offer, they will be allowed to subsequently withdraw their applications. However, if the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering) are estimated to be approximately HK$101.1 million, assuming an Offer Price per Offer Share of HK$1.50 (being the mid-point of the stated indicative Offer Price range of HK$1.25 to HK$1.75 per Offer Share).

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offer, are expected to be announced on Monday, 11 November 2019 on the website of our Company (**www.reach-ad.com**) and the website of the Stock Exchange (**www.hkexnews.hk**).

If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or about Tuesday, 5 November 2019 and, in any event, not later than Monday, 11 November 2019, the Global Offering will not become unconditional and will lapse immediately.

UNDERWRITING AGREEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, our executive Directors and the International Underwriters expect to enter into the International Underwriting Agreement relating to the International Placing on or about the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on the Main Board and the 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 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.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) that is exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Joint Global Coordinators has the right, exercisable at any time within 30 days from the date of the last day of lodging application under the Hong Kong Public Offer, to require our Company to allot and issue up to 15,000,000 additional Shares, representing 15.0% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option but 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 in accordance with the Listing Rules.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates, up to 15,000,000 Shares, representing 15.0% of our Offer Shares, from Yingheng to cover over-allocation under the stock borrowing arrangement (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including exercising the Over-allotment Option.

If the Stock Borrowing Agreement with Yingheng is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over-allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules below are complied with:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Yingheng by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Yingheng or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no payment will be made to Yingheng by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

The same number of Shares so borrowed must be returned to Yingheng or its nominees, as the case may be, on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the day on which the Over-allotment Option is exercised in full, or (iii) such earlier time as may be agreed in writing between the Stabilising Manager and Yingheng. The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Yingheng by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

The Stabilising Manager has been appointed for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date.

Any such stabilising activity will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Any such stabilisation activity is required to be brought to an end within 30 days from the last date for lodging application under the Hong Kong Public Offer. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be made available upon exercise of the Over-allotment Option, being 15,000,000 Shares, which is 15.0% of the Offer Shares initially available under the Global Offering.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Stabilising Manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

(1) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(2) in connection with any action described in paragraph (1) above:

(a) (i) over-allocate our Shares; or

(ii) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

(b) exercise the Over-allotment Option and subscribe for or purchase, or agree to subscribe for or purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under subparagraph (a) above;

(c) sell or agree to sell any Shares acquired by it in the course of the stabilising action referred to in paragraph (1) above in order to liquidate any position that has been established by such action; and

(d) offer or attempt to do anything described in subparagraphs (a)(ii), (b) or (c) above.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Stabilising Manager (for itself and on behalf of the Underwriters), its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Thursday, 5 December 2019, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer. 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 its Offer Price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Global Offering will be conditional on:

(a) the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the Shares being offered pursuant to the Global Offering (including any Shares to be issued upon the exercise of the Over-allotment Option) and the options that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to commencement of dealing in the Shares on the Stock Exchange;

(b) the Offer Price having been fixed on or about the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with its terms of the respective Underwriting Agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), or the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offer and the International Placing 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, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Global Offering will be published by on our Company's website (**www.reach-ad.com**) and the Stock Exchange's website (**www.hkexnews.hk**) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on or before Monday, 11 November 2019 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 12 November 2019 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offer — Grounds for Termination" in this prospectus has not been exercised.

DEALINGS

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 12 November 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 12 November 2019.

The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 1640.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

— use a **WHITE** or **YELLOW** Application Form;

— apply online via the **White Form eIPO** service at **www.eipo.com.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 Global Coordinators, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

— are 18 years of age or older;

— have a Hong Kong address;

— are outside the United States, and are not a United States Person (as defined in Regulation S); and

— are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators may accept or reject it at their discretion and on any conditions they think fit, including provision of evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

— an existing beneficial owner of Shares in our Company and/or any its subsidiaries; a Director or chief executive officer of our Company and/or any of its subsidiaries;

— a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;

— an associate (as defined in the Listing Rules) of any of the above; or

— have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.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 Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 31 October 2019 until 12:00 noon on Tuesday, 5 November 2019 from:

(i) the following offices of the Hong Kong Underwriters:

Dongxing Securities (Hong Kong) Company Limited
Room 6805–6806A, 68/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong; or

Aristo Securities Limited
Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road, Wanchai
Hong Kong; or

Chuenman Securities Limited
Office A 10/F Sang Woo Building
227–228 Gloucester Road, Wan Chai
Hong Kong; or

Zundiao Securities Limited
Room 601, 6/F
On Hong Commercial Building
145 Hennessy Road, Wanchai
Hong Kong; or

(ii) the following branches of the receiving bank, Standard Chartered Bank (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F, Two Chinachem Central, 26 Des Voeux Road, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156–162 Hennessy Road, Wanchai
Kowloon	Tsimshatsui Branch	Shop G30 & B117–23, G/F, Mira Place One, 132 Nathan Road, Tsim Sha Tsui
	Lok Fu Shopping Centre Branch	Shop G201, G/F, Lok Fu Shopping Centre
New Territories	Tai Po Branch	G/F Shop No. 2, 23–25 Kwong Fuk Road, Tai Po Market, Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 31 October 2019 until 12:00 noon on Tuesday, 5 November 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED — Ruicheng (China) Media PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

Thursday, 31 October 2019	—	9:00 a.m. to 5:00 p.m.
Friday, 1 November 2019	—	9:00 a.m. to 5:00 p.m.
Saturday, 2 November 2019	—	9:00 a.m. to 1:00 p.m.
Monday, 4 November 2019	—	9:00 a.m. to 5:00 p.m.
Tuesday, 5 November 2019	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 5 November 2019, the last application day or such later time as described in the sub-section headed "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully, otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** 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 authorise our Company and/or the Joint Global Coordinators (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 of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-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 Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-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 (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) and/or any e-Refund payment instruction(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators 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 **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "2. Who Can Apply" in this section, may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 31 October 2019 until 11:30 a.m. on Tuesday, 5 November 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 5 November 2019 or such later time under the "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Ruicheng (China) Media Group Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

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 (852) 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F., One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Co-Managers and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

— agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

— agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

— undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

— (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 authorised to give those instructions as their agent;

— confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

— authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

— confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

— confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

— agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-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, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters 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 agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

— agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;

— agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

— agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and

— agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

— instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

— instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

— instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 31 October 2019	**—**	**9:00 a.m. to 8:30 p.m.**
Friday, 1 November 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Monday, 4 November 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Tuesday, 5 November 2019	**—**	**8:00 a.m. to 12:00 noon**

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 31 October 2019 until 12:00 noon on Tuesday, 5 November 2019 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 5 November 2019, the last application day or such later time as described in the sub-section headed "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, 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 **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** 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 Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 5 November 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

— an account number; or

— some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

— the principal business of that company is dealings 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** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and Conditions of the Global Offering" 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;

— a "black" rainstorm warning; or

— an announcement of "extreme conditions" by the Hong Kong Government 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 Tuesday, 5 November 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings 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 Tuesday, 5 November 2019 or if there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or extreme conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Monday, 11 November 2019 on our Company's website **www.reach-ad.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 Offer 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.reach-ad.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Monday, 11 November 2019;

— from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 11 November 2019 to 12:00 midnight on Sunday, 17 November 2019;

— by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, 11 November 2019 to Thursday, 14 November 2019; and

— in the special allocation results booklets which will be available for inspection during opening hours from Monday, 11 November 2019 to Wednesday, 13 November 2019 at all the designated receiving bank branches on a business day.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG 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 **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the **White Form eIPO** Service Provider, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Division 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 Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

— you make multiple applications or suspected multiple applications;

— you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;

— your Application Form is not completed in accordance with the stated instructions;

— your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;

— your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

— the Underwriting Agreements do not become unconditional or are terminated;

— our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

— your application is for more than 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offer.

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$1.75 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering set out in the section headed "Structure and Conditions of the Global Offering — Conditions of the Global Offering" in this prospectus are not fulfilled 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 cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, 11 November 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

— share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

— refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, 11 November 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 12 November 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "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 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from the Hong Kong Branch Share Registrar Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 11 November 2019 or such other date as notified by our Company as the date of collection/despatch of share certificates and refund cheques. If you are an individual who is eligible for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on or before Monday, 11 November 2019, by ordinary post and at your own risk.

(ii) If you apply using a* YELLOW *Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) from the Hong Kong Branch Share Registrar Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 11 November 2019 or such other date as notified by our Company as the date of collection/despatch of share certificates and refund cheques. If you are an individual who is eligible for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which is eligible for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on or before Monday, 11 November 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 11 November 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

— *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

— *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in the paragraph headed "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 11 November 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 11 November 2019, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

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 Monday, 11 November 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via* Electronic Application Instructions *to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

— If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 11 November 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

— Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in the paragraph headed "11. Publication of results" above on Monday, 11 November 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 11 November 2019 or such other date as determined by HKSCC or HKSCC Nominees.

— If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

— If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 11 November 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

— Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 11 November 2019.

15. ADMISSION OF THE SHARES INTO CCASS

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

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

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-80, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RUICHENG (CHINA) MEDIA GROUP LIMITED AND DONG XING SECURITIES (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of Ruicheng (China) Media Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-4 to I-80, which comprises the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019, the statement of financial position of the Company as at 30 April 2019 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2018 and the four months ended 30 April 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-4 to I-80 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 October 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company (the "Directors") are responsible for the preparation of the 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 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. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of 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 purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019, of the Company's financial position as at 30 April 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 comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The Directors are responsible for the preparation and presentation of the Stub Period Comparative 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 Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International 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 Comparative Financial Information, for the purpose of the accountant's 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 and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends declared and paid by a group entity comprising the Group in respect of the Track Record Period and states that no dividend was declared or paid by the Company since its incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 October 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing operations						
Revenue	5	313,082	660,612	783,364	211,930	268,404
Cost of revenue		(269,757)	(577,247)	(687,753)	(191,297)	(241,875)
Gross profit		43,325	83,365	95,611	20,633	26,529
Other income, gains and loss	6	6,191	936	4,119	1,110	2,509
Selling and marketing expenses		(13,688)	(19,522)	(14,875)	(4,122)	(5,164)
Administrative expenses		(13,236)	(11,621)	(11,202)	(3,547)	(4,088)
Finance costs	7	(499)	(1,803)	(6,043)	(1,546)	(2,665)
Impairment losses, net of reversals	8	—	—	(998)	(1,939)	(1,131)
Listing expenses		—	—	(4,143)	—	(5,759)
Profit before tax		22,093	51,355	62,469	10,589	10,231
Income tax expense	9	(6,327)	(13,615)	(15,846)	(2,682)	(3,554)
Profit for the year/period from continuing operations	10	15,766	37,740	46,623	7,907	6,677
Discontinued operations						
Profit (loss) for the year/period from discontinued operations	32	—	2,473	(474)	(1,055)	—
Profit and total comprehensive income for the year/period		15,766	40,213	46,149	6,852	6,677
Profit (loss) and total comprehensive income (expense) attributable to owners of the Company						
— from continuing operations		15,766	37,740	46,623	7,907	6,536
— from discontinued operations		—	2,473	(474)	(1,055)	—
		15,766	40,213	46,149	6,852	6,536
Profit and total comprehensive income attributable to non-controlling interests						
— from continuing operations		—	—	—	—	141
		15,766	40,213	46,149	6,852	6,677
EARNINGS PER SHARE	14					
From continuing and discontinued operations						
— Basic *(RMB)*		0.05	0.14	0.16	0.02	0.02
From continuing operations						
— Basic *(RMB)*		0.05	0.13	0.16	0.03	0.02

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018	As at 30 April 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Property and equipment	15	12,794	50,873	5,493	4,694
Goodwill	16	—	60	—	—
Other intangible assets		44	39	43	42
Financial assets at fair value through profit or loss	17	—	13,000	6,050	19,810
Available-for-sale investment	18	—	1,500	—	—
Deferred tax assets	19	107	131	638	2,067
Loan receivable	20	—	—	13,000	12,897
Long-term deposit	21	401	401	401	401
		13,346	66,004	25,625	39,911
Current Assets					
Trade and notes receivables, prepayments and other receivables	21	109,915	182,759	208,515	207,472
Amounts due from related parties	37	—	—	14,850	14,832
Contract assets	22	1,415	3,228	—	896
Financial assets at fair value through profit or loss	17	—	—	—	680
Bank balances and cash	23	12,260	57,157	36,747	18,017
		123,590	243,144	260,112	241,897
Asset classified as held for distribution to owners	15	—	—	2,243	—
		123,590	243,144	262,355	241,897
Total Assets		136,936	309,148	287,980	281,808

	Notes	As at 31 December 2016	2017	2018	As at 30 April 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Capital and Reserves					
Paid-in capital/share capital	28	80,000	80,000	80,800	70
Reserves		14,829	55,042	7,011	93,091
Equity attributable to owners of the Company		94,829	135,042	87,811	93,161
Non-controlling interests		—	—	120	261
Total Equity		94,829	135,042	87,931	93,422
Non-current Liabilities					
Deferred tax liabilities	19	—	5,044	—	—
Bank and other borrowings	26	—	3,149	—	—
Lease liabilities	33	7,167	5,045	2,795	2,027
		7,167	13,238	2,795	2,027
Current Liabilities					
Trade and other payables	24	21,899	17,623	94,243	80,180
Tax payables		3,093	9,208	9,510	7,478
Contract liabilities	25	7,946	63,914	1,748	5,405
Bank and other borrowings	26	—	68,001	83,523	84,236
Amounts due to a related party	37	—	—	5,000	6,777
Lease liabilities	33	2,002	2,122	2,250	2,283
		34,940	160,868	196,274	186,359
Liability associated with asset classified as held for distribution to owners	15	—	—	980	—
		34,940	160,868	197,254	186,359
Total Liabilities		42,107	174,106	200,049	188,386
Total Equity and Liabilities		136,936	309,148	287,980	281,808

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**As at 30 April 2019** *RMB'000*
Non-current Asset		
Investment in a subsidiary	38	—
Amount due from a subsidiary	27	3,778
		3,778
Current Assets		
Cash		69
Deferred listing expenses		3,158
		3,227
Total Assets		7,005
Capital and Reserves		
Share capital	28	70
Reserves	29	(3,759)
Total Equity		(3,689)
Current Liabilities		
Listing expenses payables		5,880
Amounts due to a subsidiary	27	3,037
Amounts due to Ms. Wang Lei	37	1,777
		10,694
Total Equity and Liabilities		7,005

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Paid-in capital/share capital *RMB'000* *(Note i)*	Capital reserve *RMB'000*	Statutory reserve *RMB'000* *(Note ii)*	(Accumulated losses)/ retained earnings *RMB'000* *(Note ii)*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2016	80,000	—	315	(1,252)	79,063	—	79,063
Profit and total comprehensive income for the year	—	—	—	15,766	15,766	—	15,766
Transfer to statutory reserve	—	—	1,157	(1,157)	—	—	—
Balance at 31 December 2016	80,000	—	1,472	13,357	94,829	—	94,829
Profit and total comprehensive income for the year	—	—	—	40,213	40,213	—	40,213
Transfer to statutory reserve	—	—	2,347	(2,347)	—	—	—
Balance at 31 December 2017	80,000	—	3,819	51,223	135,042	—	135,042
Adjustments *(Note 2)*	—	—	—	(889)	(889)	—	(889)
Balance at 1 January 2018 (restated)	80,000	—	3,819	50,334	134,153	—	134,153
Profit and total comprehensive income for the year	—	—	—	46,149	46,149	—	46,149
Transfer to statutory reserve	—	—	2,729	(2,729)	—	—	—
Distribution of subsidiaries to owners of the Group *(Note 32)*	—	(37,975)	—	—	(37,975)	—	(37,975)
Distribution of equity instrument at fair value through profit or loss ("FVTPL") to owners of the Group *(Note 18)*	—	(1,500)	—	—	(1,500)	—	(1,500)
Dividends recognised as distributions *(Note 13)*	—	—	—	(54,000)	(54,000)	—	(54,000)
Capital contribution from an owner of the Group *(Note iii)*	800	184	—	—	984	—	984
Capital contributions from non-controlling shareholders of a subsidiary of the Group	—	—	—	—	—	120	120
Balance at 31 December 2018	80,800	(39,291)	6,548	39,754	87,811	120	87,931

	Attributable to owners of the Company								
	Paid-in capital/share capital *RMB'000* *(Note i)*	**Share premium** *RMB'000*	**Merger reserve** *RMB'000*	**Capital reserve** *RMB'000*	**Statutory reserve** *RMB'000* *(Note ii)*	**Retained earnings** *RMB'000* *(Note ii)*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2019	80,800	—	—	(39,291)	6,548	39,754	87,811	120	87,931
Profit and total comprehensive income for the period	—	—	—	—	—	6,536	6,536	141	6,677
Issue of new shares *(Note 28)*	70	2,000	—	—	—	—	2,070	—	2,070
Adjustment arising from the Group Reorganisation *(note iv)*	(80,800)	—	90,734	(9,934)	—	—	—	—	—
Deemed distribution as part of the Group Reorganisation *(Note v)*	—	—	—	(2,017)	—	—	(2,017)	—	(2,017)
Distribution to the owners *(Note 15)*	—	—	—	(1,239)	—	—	(1,239)	—	(1,239)
Balance at 30 April 2019	70	2,000	90,734	(52,481)	6,548	46,290	93,161	261	93,422
(Unaudited)									
Balance at 1 January 2018 (restated)	80,000	—	—	—	3,819	50,334	134,153	—	134,153
Profit and total comprehensive income for the period	—	—	—	—	—	6,852	6,852	—	6,852
Balance at 30 April 2018	80,000	—	—	—	3,819	57,186	141,005	—	141,005

Notes:

i. The paid-in capital/share capital as at 31 December 2016, 2017 and 2018 and 30 April 2018 represents the paid-in capital/share capital of Beijing Ruicheng Advertising Co., Ltd.* (北京瑞誠廣告有限公司) ("Beijing Ruicheng") and the share capital of the Company as at 30 April 2019.

ii. In accordance with the articles of association of the subsidiaries established in the People's Republic of China (the "PRC") and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after tax, which is determined in accordance with the PRC accounting rules and regulations, to a statutory reserve (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory reserve is subject to the approval of the respective board of directors, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory reserve can only be used to offset accumulated losses or to increase capital of the relevant subsidiaries.

iii. On 19 December 2018, Beijing Ruicheng received capital contribution of RMB984,000 in cash from Ms. Liu Yang, an independent third party. Amount of RMB800,000 was recorded in paid-in capital, which represented 0.99% of equity interest of Beijing Ruicheng and the remaining amount of RMB184,000 was recorded in capital reserve.

iv. On 27 March 2019, Qingdao Ruicheng Jiaye Advertising Co., Ltd.* (青島瑞誠嘉業廣告有限公司) ("Qingdao Ruicheng Jiaye") acquired the entire equity interest in Beijing Ruicheng with the consideration of RMB2 million when the then net assets value of Beijing Ruicheng was RMB92,734,000. The difference amount of RMB90,734,000 was credit to merger reserve and the then issued capital of Beijing Ruicheng of RMB80,800,000 was transferred to capital reserve upon the completion of the reorganisation.

v. On 1 March 2019, Ruicheng (Hong Kong) Media Co., Ltd.* (瑞誠(香港)傳媒有限公司) ("Ruicheng HK") and the then shareholders of Qingdao Ruicheng Jiaye entered into an equity transfer agreement, pursuant to which, the entire equity interest in Qingdao Ruicheng Jiaye was transferred from the then shareholders of Qingdao Ruicheng Jiaye to Ruicheng HK at an aggregate consideration of HKD2,353,000 (equivalent to RMB2,017,000). The relevant registration procedure in respect of such transfer was completed on 7 March 2019. The then shareholders of Qingdao Ruicheng Jiaye received cash consideration of HKD2,330,000 (equivalent to RMB1,997,000) based on their proportion of investment amount in April 2019, the remaining consideration of HKD23,000 (equivalent to RMB20,000) due to Mr. Soon Ao ("Mr. Soon") was settled subsequently in May 2019.

* *English names are for identification purpose only*.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
Profit for the year/period	15,766	40,213	46,149	6,852	6,677
Adjustments for:					
Income tax	6,327	13,403	15,710	2,536	3,554
Interest income	(103)	(183)	(181)	(43)	(18)
Fair value change of financial assets at FVTPL	(4,717)	—	—	—	560
Finance costs	499	1,803	6,043	1,546	2,665
Gains on termination of a lease contract	(37)	—	—	—	—
Depreciation of					
— property and equipment	3,599	3,998	5,284	1,749	806
— asset classified as held for distribution to owners	—	—	—	—	54
Amortisation of other intangible assets	3	5	5	1	1
Impairment losses recognised on					
— trade receivables	—	—	998	1,939	638
— loan receivable	—	—	—	—	493
Operating cash flows before movements in working capital	21,337	59,239	74,008	14,580	15,430
(Increase) decrease in trade and notes receivables, prepayments and other receivables	(57,945)	(72,844)	(46,633)	(43,204)	15
(Increase) decrease in contract assets	(1,415)	(1,813)	3,228	1,472	(896)
Increase (decrease) in contract liabilities	6,241	55,968	(62,166)	(43,879)	3,657
(Decrease) increase in trade and other payables	(4,005)	(31,881)	76,889	36,567	(14,083)
Cash (used in) generated from operations	(35,787)	8,669	45,326	(34,464)	4,123
Income taxes paid	(4,493)	(7,573)	(15,798)	(8,740)	(7,015)
Interest paid	(499)	(2,720)	(7,520)	(1,213)	(1,952)
Net cash (used in) generated from operating activities	(40,779)	(1,624)	22,008	(44,417)	(4,844)

	Notes	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	Four months ended 30 April 2018 RMB'000 (unaudited)	2019 RMB'000
Investing activities						
Interest received		103	183	181	43	18
Purchase of available-for-sale investment		—	(1,500)	—	—	—
Purchase of financial assets at FVTPL		—	(13,000)	(6,050)	(5,315)	(15,000)
Proceeds from disposal of a financial asset at FVTPL		41,717	—	—	—	—
Purchases of property and equipment		(1,116)	(1,233)	(297)	(270)	(7)
Purchases of other intangible assets		(47)	—	(9)	(3)	—
Repayment to a related party		—	—	—	—	18
Net cash outflow on acquisition of a subsidiary	31	—	(7,994)	—	—	—
Net cash outflow on disposal of subsidiaries	32	—	—	(75)	—	—
Net cash generated from (used in) investing activities		40,657	(23,544)	(6,250)	(5,545)	(14,971)
Financing activities						
Capital contributions from an owner of the Group		—	—	984	—	—
Issuance of new shares		—	—	—	—	2,070
Capital contributions from non-controlling shareholders of a subsidiary of the Group		—	—	120	—	—
Deemed distribution as part of the Group Reorganisation		—	—	—	—	(1,997)
Dividends paid		—	—	(54,000)	—	—
New bank and other borrowings raised		—	73,000	111,000	—	20,000
Repayment to a related party		—	—	—	—	(30)
Repayment of the lease liabilities		(1,946)	(2,002)	(2,122)	(694)	(735)
Repayments of bank and other borrowings		—	(933)	(92,150)	(5,918)	(20,000)
Advances from Ms. Wang Lei		—	—	—	—	11,777
Repayments to Ms. Wang Lei		(36,673)	—	—	—	(10,000)
Net cash (used in) generated from financing activities		(38,619)	70,065	(36,168)	(6,612)	1,085
Net (decrease) increase in cash and cash equivalents		(38,741)	44,897	(20,410)	(56,574)	(18,730)
Cash and cash equivalents at beginning of year/period		51,001	12,260	57,157	57,157	36,747
Cash and cash equivalents at end of year/period, represented by bank balances and cash		12,260	57,157	36,747	583	18,017

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, GROUP REORGANISATION, BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

1.1 General information

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability under Companies Law of the Cayman Islands, on 15 January 2019. The addresses of the Company's registered office and the principal place of business are disclosed in the section "Corporate Information" in the Prospectus. The Company is an investment holding company and its subsidiaries are principally engaged in the provision of advertising services in the People's Republic of China (the "PRC").

The Historical Financial Information is presented in the currency of RMB, which is also the functional currency of the Company.

No statutory audited financial statements were issued for the Company since the Company is incorporated in a jurisdiction where there is no statutory audit requirement.

1.2 Group reorganisation, basis of preparation and presentation of Historical Financial Information

During the Track Record Period, the main operating activities of the Group were carried out by Beijing Ruicheng and its subsidiaries, namely Shanghai Kailun Advertising Co., Ltd.* (上海凱倫廣告有限公司) ("Shanghai Kailun"), Xizang Wanmei Advertising Co., Ltd* (西藏萬美廣告有限公司) ("Xizang Wanmei") and Lingyu (Beijing) Cultural Media Co., Ltd* (領育(北京)文化傳媒有限公司) ("Beijing Lingyu"), which were principally engaged in the advertising business. All of these entities were established and operated in the PRC.

Beijing Ruicheng was established as a company with limited liability in the PRC in 2003. On 15 March 2016, pursuant to a shareholders' resolution, Beijing Ruicheng was transformed into a joint stock company limited by shares in the PRC. On 2 August 2016, Beijing Ruicheng was listed on the National Equities Exchange and Quotations ("NEEQ") and with a registered capital of RMB80.0 million.

In consideration of the future business strategy of the Group and the proposed listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing"), the Directors considered it is in the best interests of Beijing Ruicheng to be delisted from the NEEQ and apply for the Listing in Hong Kong. Accordingly, the delisting of Beijing Ruicheng from the NEEQ was completed on 9 October 2018.

In preparation for the Listing, the entities comprising the Group underwent a group reorganisation (the "Reorganisation") as described below. Ms. Wang Lei ("Ms. Wang") has historically and throughout the Track Record Period been controlling the entities now comprising the Group (the "Controlling Shareholder"). Prior to the Reorganisation, Ms. Wang owned approximately 55% equity interest in Beijing Ruicheng.

The Reorganisation comprised the following steps:

1. On 7 December 2018, Qingdao Ruicheng Jiaye was incorporated as a company with limited liability in the PRC. Ms. Wang owned as to approximately 54.4% equity interest in Qingdao Ruicheng Jiaye.

2. On 25 December 2018, Mr. Soon, as purchaser and Ms. Wang, as vendor, entered into a sale and purchase agreement, pursuant to which Mr. Soon acquired 1% equity interest in Qingdao Ruicheng Jiaye. After such transfer, Qingdao Ruicheng Jiaye became a sino-foreign joint enterprise.

3. On 15 January 2019, the Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands with an authorised share capital of Hong Kong dollars ("HKD") 380,000 divided into 38,000,000 Shares of par value of HKD0.01 each. On 25 January 2019, 4,398,800 shares were allotted and issued to Yingheng Co., Ltd.* (盈恒有限公司), a British Virgin Island ("BVI") company wholly owned by Ms. Wang. Upon such allotment, the Company was indirectly owned as to approximately 54.4% by Ms. Wang.

4. On 28 January 2019, Ruicheng Media Co., Ltd.* (瑞誠傳媒有限公司) ("Ruicheng BVI") was incorporated as a limited liability company under the laws of BVI with an authorised shares capital of United States Dollars ("USD") 5 divided into 50,000 shares of par value of USD0.0001 each. On the same date, 100 shares in Ruicheng BVI was allotted and issued to the Company at par value. After such allotment, Ruicheng BVI was wholly owned by the Company.

5. On 21 February 2019, Ruicheng HK was incorporated as a company with limited liability under the laws of Hong Kong. On the same day, 100 shares in Ruicheng HK was allotted and issued to Ruicheng BVI. After such allotment, Ruicheng HK was wholly owned by Ruicheng BVI.

6. On 1 March 2019, Ruicheng HK, as purchaser, and the then shareholders of Qingdao Ruicheng Jiaye, as vendor, entered into a sale and purchase agreement, pursuant to which Ruicheng HK acquired the entire equity interest in Qingdao Ruicheng Jiaye at an aggregate consideration of HKD2,353,000 (equivalent to RMB2,017,000). After such transfer completed on 7 March 2019, Qingdao Ruicheng Jiaye became a wholly foreign owned enterprise and wholly owned by Ruicheng HK.

7. On 19 March 2019, Qingdao Ruicheng Jiaye and the then shareholders of Beijing Ruicheng entered into a series of equity transfer agreements, pursuant to which, the entire equity interest in Beijing Ruicheng was transferred from the then shareholders of Beijing Ruicheng to Qingdao Ruicheng Jiaye at a consideration of RMB2 million. Such transfer was completed on 27 March 2019. After such transfer, Beijing Ruicheng became a wholly-owned subsidiary of Qingdao Ruicheng Jiaye.

Upon completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group by interspersing the Company, Ruicheng BVI, Ruicheng HK and Qingdao Ruicheng Jiaye between the Controlling Shareholder and Beijing Ruicheng. The Group comprising of the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period and the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019 are prepared using the then carrying amounts in the financial statements of companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period.

* *English names are for identification purpose only.*

2. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied International Accounting Standards ("IASs"), IFRSs, amendments and the related Interpretations ("IFRICs") therein collectively referred to as the "IFRSs", which are effective for the accounting period beginning on 1 January 2018 throughout the Track Record Period, except that the Group adopted IFRS 9 *Financial Instruments* on 1 January 2018 and IAS 39 *Financial Instruments: Recognition and Measurement* prior to 1 January 2018 and early adopted and consistently applied IFRS 16 *Lease* using the modified retrospective approach (including practical expedient permitted by IFRS 16) throughout the Track Record Period. The accounting policy for these IFRSs are set out on Note 3 below.

2.1 Application of IFRS 9

For the year ended 31 December 2018, the Group has applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting. In addition, the Group has early applied Amendments to IFRS 9 *Prepayment Features with Negative Compensation* which will be mandatorily effective for the Group for the financial year beginning on 1 January 2019.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are set out in Note 3.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	**Available-for-sale ("AFS") investment**	**Financial assets at amortised cost (previously classified as loans and receivables)**	**Financial assets designated at FVTPL**	**Financial assets at FVTPL required by IFRS 9**	**Deferred tax assets**	**Retained earnings**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Closing balance at 31 December 2017 under IAS 39		1,500	141,029	13,000	—	—	54,470
Effect arising from initial application of IFRS 9:							
Reclassification from AFS investment	(a)	(1,500)	—	—	1,500	—	—
From financial assets designated at FVTPL	(b)	—	—	(13,000)	13,000	—	—
Remeasurement of impairment under ECL model	(c)	—	(1,185)	—	—	296	(889)
Opening balance at 1 January 2018 under IFRS 9		—	139,844	—	14,500	296	53,581

Notes:

(a) AFS investments

From AFS investment to FVTPL

At the date of initial application of IFRS 9, the Group's equity investment in an unlisted equity investment of RMB1,500,000 was reclassified from AFS investment to financial asset at FVTPL. No fair value gain or loss relating to this investment was transferred from the AFS reserve to retained earnings as at 1 January 2018.

(b) Financial asset designated at FVTPL

From financial assets designated at FVTPL to financial assets at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the investment in film and drama which is managed and its performance is evaluated on a fair value basis, as this financial asset is required to be measured at FVTPL under IFRS 9. As a result, this investment of RMB13,000,000 was reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

There was no impact on the amount recognised in relation to this assets from the application of IFRS 9.

(c) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. All contract assets and trade receivables have been assessed for ECL individually.

ECL for other financial assets at amortised cost, including notes receivables, other receivables, amounts due from related parties, bank balances and cash and loan receivable, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of RMB1,185,000 and deferred tax assets of RMB296,000 have been recognised against retained earnings. The additional loss allowance is charged against trade receivables.

For bank balances, the Group only transacts with reputable banks with good credit rating assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks based on assessment by the management of the Group. No ECL allowance is recognised as the amount involved is insignificant.

For other receivables, the management of the Group makes periodic individual assessment on the recoverability of other receivables based on historical settlement records and past experience. No ECL allowance is recognised as the amount involved is insignificant.

Loss allowance in respect of trade receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables
	RMB'000
At 31 December 2017 under IAS 39	—
Amounts remeasured through opening retained earnings	1,185
At 1 January 2018	1,185

2.2 New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[2]
Amendments to IFRS 3	Definition of a Business[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IAS 1 and IAS 8	Definition of Material[4]

1 Effective for annual periods beginning on or after a date to be determined

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

4 Effective for annual periods beginning on or after 1 January 2020

The Directors anticipate that the application of all these new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in a subsidiary

Investment in a subsidiary is stated in the statements of financial position of the Company at cost less any identified impairment loss.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combined entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combined entities or businesses from the earliest date presented or since the date when the combined entities or businesses first came under the common control, where this is a shorter period.

Business Combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Non-current assets held for distribution to owners

Non-current assets and disposal groups are classified as held for distribution to owners if their carrying amount will be recovered principally through a distribution rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for distribution of such asset (or disposal group) and its sale is highly probable. Management must be committed to the distribution, which should be expected to qualify for recognition as a completed distribution within one year from the date of classification.

When the Group is committed to a distribution plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for distribution to owners when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for distribution to owners are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to customers and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Advertising services, including TV, online, outdoor and other advertising services, are principal activities from which the Group generated its revenue.

(i) Revenue from TV advertising services is primarily derived from the placement of advertisements on TV channels or variety shows. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is determined by the actual broadcasted TV advertisements and verified by reports issued by an independent third party with relevant qualification and experience or by customer's confirmations on a monthly basis, which evidenced the advertisement actually broadcasted.

(ii) Revenue from online advertising services is primarily derived from the placement of advertisements on platforms such as websites, mobile applications, social media platforms and search engines. The Group utilised a pricing model based on specific terms of the contract which are commonly based on cost per click or cost per mille, which means the cost per 1,000 advertisement impressions regardless of whether the advertisement is being clicked by the viewers. The revenue from online advertising services on cost per click or cost per mille basis is recognised over the service period based on the actual clicks or views of the advertisement confirmed by customers.

(iii) Revenue from outdoor advertising services is primarily derived from the placement of advertisements on outdoor platforms such as LED screens on or in buildings, highways, subways or advertising light boxes in car shelters. The revenue is recognised over the service period based on an advertising schedule confirmed by customers.

(iv) Revenue from other advertising services are primarily derived from the placement of advertisements on radio channels, newspapers or magazines or organising marketing events. The revenue is recognised over the service period based on an advertising schedule confirmed by customers.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Leases

The Group as lessee

At inception of a contract, the Group assesses whether a 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset — this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

  - the Group has the right to operate the asset; or

  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease* were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2016.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will 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 in 'property and equipment' and lease liabilities separately in the consolidated statement of financial position.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All the Group's borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRSs requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years/periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property and equipment

Property and equipment including buildings, right-of-use assets, leasehold improvements, motor vehicles, and office equipment (other than properties under construction as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised, if any, in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Other intangible assets of the Group comprise computer software and are amortised on a straight line basis over an estimated useful life of 10 years. The useful life of the computer software is estimated based on the expected usage of the computer software and their technological and commercial obsolescence.

Impairment on tangible and intangible assets (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application IFRS 9 with transitions in accordance with Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is not held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income, gains and loss" line item.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 including contract assets, trade and notes receivables and other receivables, amounts due from related parties, bank balances and cash and loan receivable. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for contract assets and trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loan receivable is assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income 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 amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

The Group's financial assets are classified into the following specified categories: AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and notes receivables and other receivables, bank balance and cash and long-term deposit) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for financial assets could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit periods, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised 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.

Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivables

Prior to 1 January 2018, when there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the actual future cash flows are less than expected, or being revised downward due to the change in facts and circumstances, a material impairment loss/further impairment loss may arise.

As at 31 December 2016 and 2017, the carrying amount of trade receivables were RMB41,363,000 and RMB65,945,000, respectively, with no impairment provisions.

Starting from 1 January 2018, the Group performs impairment assessment under ECL model individually for all the trade receivables. The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 35.

As at 31 December 2018 and 30 April 2019, the carrying amount of trade receivable is RMB147,457,000, net of loss allowance of RMB2,183,000, and RMB155,527,000, net of loss allowance of RMB2,821,000, respectively.

5. REVENUE AND SEGMENT INFORMATION

Continuing operations

(i) Disaggregation of revenue from contracts with customers

Revenue by service nature

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Television ("TV") advertising services					
— Hard-sell TV advertising services *(Note)*	175,376	318,454	290,752	126,909	94,484
— Advertising solution packages involving soft-sell TV advertising services *(Note)*	131,407	280,276	236,291	57,786	22,791
	306,783	598,730	527,043	184,695	117,275
Online advertising services	4,334	33,148	195,839	8,863	125,372
Outdoor advertising services	—	17,221	51,568	15,845	24,410
Other advertising services	1,965	11,513	8,914	2,527	1,347
	313,082	660,612	783,364	211,930	268,404

Note: Hard-sell advertising service is placement of traditional advertisements during TV advertising time slots; and soft-sell advertising service is implantation of advertisements in variety shows and TV series such as product placement, title sponsorship, subtitle advertisement and verbal slogan.

Revenue by customer types

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Advertisers	272,995	574,511	516,245	185,394	219,617
Advertising agents	40,087	86,101	267,119	26,536	48,787
	313,082	660,612	783,364	211,930	268,404

Revenue by categories of products or services being advertised

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Household furnishing & electronics	133,531	249,206	258,718	76,958	20,155
Foods and beverages	125,392	262,147	210,429	89,790	64,024
Telecommunications	—	51,839	30,506	16,539	19,184
Internet and mobile games	4,334	33,148	183,695	9,648	133,487
Pharmaceuticals	20,282	27,148	52,852	16,659	11,527
Automobile	18,852	29,738	26,314	—	1,785
Others	10,691	7,386	20,850	2,336	18,242
	313,082	660,612	783,364	211,930	268,404

Timing of revenue recognition

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Over time	313,082	660,612	783,364	211,930	268,404

(ii) Performance obligations for contracts with customers

The Group principally earns revenue from provision of advertising services which usually range from one to twelve months. Advertising services typically meet the criterion where customers simultaneously receive and consume the benefit of the Group's performance as the Group performs. Therefore, such revenue is recognised as a performance obligation satisfied over time, using output method.

The Group acts as the principal during the provision of advertising services and therefore recognised revenue earned and costs incurred related to these transactions on a gross basis where the Group is the primary obligor and are responsible for (1) identifying and contracting with third-party advertiser which the Group views as customers; (2) identifying and contracting with media platforms to provide advertising time or space where the Group views media platforms as suppliers; (3) establishing selling price for the advertising services; and (4) bearing sole responsibility for fulfillment of the advertising services.

Advertising services, including TV, online, outdoor and other advertising services, are principal activities from which the Group generated its revenue.

(i) Revenue from TV advertising services is primarily derived from the placement of advertisements on TV channels or variety shows. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is determined by the actual broadcasted TV advertisements and verified by reports issued by an independent third party with relevant qualification and experience or by customer's confirmations on a monthly basis, which evidenced the advertisement actually broadcasted.

(ii) Revenue from online advertising services is primarily derived from the placement of advertisements on platforms such as websites, mobile applications, social media platforms and search engines. The Group utilised a pricing model based on specific terms of the contract which are commonly based on cost per click or cost per mille, which means the cost per 1,000 advertisement impressions regardless of whether the advertisement is being clicked by the viewers. The revenue from online advertising services on cost per click or cost per mille basis is recognised over the service period based on the actual clicks or views of the advertisement confirmed by customers.

(iii) Revenue from outdoor advertising services is primarily derived from the placement of advertisements on outdoor platforms such as LED screens on or in buildings, highways, subways or advertising light boxes in car shelters. The revenue is recognised over the service period based on an advertising schedule confirmed by customers.

(iv) Revenue from other advertising services are primarily derived from the placement of advertisements on radio channels, newspapers or magazines or organising marketing events. The revenue is recognised over the service period based on an advertising schedule confirmed by customers.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All advertising services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

(iv) Segment information

Information reported to Directors, being the chief operating decision maker (the "CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. During the Track Record Period, the CODM assesses the operating performance from continuing operations and allocates resources of the Group as a whole, as all of the Group's activities are considered to be primarily the provision of advertising services. Accordingly, the Directors considers there is only one operating segment under the requirements of IFRS 8 *Operating Segments*. In this regard, no segment information is presented.

No geographic information is presented as the revenue, non-current assets and operations of the Group are primarily derived from its activities in the PRC.

Information about major customers

Continuing operations

During the Track Record Period, revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A[1]	92,890	255,784	189,550	76,973	64,024
Customer B[1]	66,851	183,228	136,865	59,500	19,220
Customer C[1]	47,130	N/A[2]	N/A[2]	N/A[2]	N/A[2]
Customer D[3]	N/A[4]	N/A[4]	N/A[2]	N/A[4]	64,838

1 Revenue is from TV advertising services.
2 The corresponding revenue did not contribute over 10% of total revenue of the Group for the relevant year/period.
3 Revenue is from online advertising services.
4 No revenue is recognised in profit or loss for the corresponding year.

6. OTHER INCOME, GAINS AND LOSS

Continuing operations

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income on bank deposits	103	179	179	42	18
Government grants *(Note i)*	1,334	757	3,940	1,068	2,678
Gains on termination of a lease contract	37	—	—	—	—
Fair value change of financial assets at FVTPL *(Note ii)*	4,717	—	—	—	(560)
Accrued interest income on loan receivable	—	—	—	—	373
	6,191	936	4,119	1,110	2,509

Notes:

(i) The amounts represented subsidies received from the local governments for rewarding the Group's contribution to local economies. There were no specific conditions attached to the grants and the amounts were recognised in profit or loss when the grants were received.

(ii) The financial assets at FVTPL represented investments in TV series and internet dramas. During the year ended 31 December 2016, an investment was fully redeemed. During the four months ended 30 April 2019, no investment was redeemed but were revalued as at 30 April 2019. The details of fair valve measurements are set out in Note 35.

7. FINANCE COSTS

Continuing operations

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expenses on bank and other borrowings	—	1,399	5,760	1,438	2,569
Interest expenses on lease liabilities	499	404	283	108	96
	499	1,803	6,043	1,546	2,665

8. IMPAIRMENT LOSSES, NET OF REVERSALS

Continuing operations

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Impairment losses, net of reversals, recognised on:					
— Trade receivables	—	—	998	1,939	638
— Loan receivable	—	—	—	—	493
	—	—	998	1,939	1,131

Details of impairment assessment for the Track Record Period are set out in Note 35.

9. INCOME TAX EXPENSE

Continuing operations

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC Enterprise Income Tax ("EIT")					
— Current year/period	6,281	13,638	16,057	3,168	4,983
— Underprovision in respect of prior years/periods	153	1	—	—	—
	6,434	13,639	16,057	3,168	4,983
Deferred tax	(107)	(24)	(211)	(486)	(1,429)
Income tax expense	6,327	13,615	15,846	2,682	3,554

Under the Law of the PRC on EIT ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period.

The applicable tax rate of Xizang Wanmei, a wholly owned subsidiary of the Group, is 15% according to Circular Zang Zheng Fa [2018] No. 25 (the "Circular"). According to the Circular, enterprises located in Tibet and engaged in specific encouraged industries are qualified for applying a preferential tax rate of 15% for the periods from 2018 to 2020. As such, the EIT rate for Xizang Wanmei is 15% for the year ended 31 December 2018 and the four months ended 30 April 2019.

According to the EIT Law and Implementation Regulation of the EIT Law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise, and remains at 10% otherwise.

No provision for Hong Kong Profits Tax for the Track Record Period as there is no assessable profit subject to Hong Kong Profits Tax for all years/periods.

The income tax expense for the Track Record Period can be reconciled to the profit before tax from continuing operations per the consolidated statements of profit or loss and other comprehensive income as follows:

Continuing operations

	For the year ended 31 December			**Four months ended 30 April**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax from continuing operations	22,093	51,355	62,469	10,589	10,231
Tax at PRC EIT rate of 25%	5,523	12,839	15,617	2,647	2,558
Tax effect of expenses not deductible for tax purposes	648	770	694	35	1,073
Tax effect of tax losses not recognised	3	5	1	—	20
Underprovision in respect of prior years/periods	153	1	—	—	—
Effect on different tax rate resulting from an entitlement of preferential tax rate of a subsidiary	—	—	(466)	—	(97)
Income tax expense	6,327	13,615	15,846	2,682	3,554

10. PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS

Profit for the year/period from continuing operations has been arrived at after charging:

	For the year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation of property and equipment	3,599	2,741	2,612	859	806
Depreciation of asset classified as held for distribution to owners	—	—	—	—	54
Amortisation of other intangible assets	3	5	5	1	1
Total depreciation and amortisation	3,602	2,746	2,617	860	861
Staff costs (including directors' emoluments as set out in Note 11)					
Salaries and allowances	9,910	9,812	12,229	4,095	4,931
Performance related bonuses	795	6,249	4,347	1,061	998
Retirement benefit contribution	643	628	1,221	197	640
Total staff costs	11,348	16,689	17,797	5,353	6,569
Auditor's remuneration	423	366	831	—	851
Cost of revenue recognised relating to short-term leases	—	1,981	6,217	1,951	438

11. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE

Details of the emoluments paid to the individuals including emoluments for services as senior management of the group entities prior to becoming the Directors, during the Track Record Period, are as follows:

	For the year ended 31 December 2016				
	Fee	Salaries and allowances	Performance related bonuses *(Note i)*	Retirement benefit contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Ms. Li Na ("Ms. Li") *(Note ii)* *(Chairlady)*	—	327	18	18	363
Mr. Feng Xing *(Note ii)*	—	319	18	14	351
Ms. Wang Xin *(Note iii and iv)*	—	41	—	7	48
Mr. Leng Xuejun *(Note ii)*	—	211	5	8	224
Total	—	898	41	47	986

	For the year ended 31 December 2017				
	Fee	Salaries and allowances	Performance related bonuses *(Note i)*	Retirement benefit contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Ms. Li *(Note ii) (Chairlady)*	—	299	256	18	573
Mr. Feng Xing *(Note ii)*	—	271	166	14	451
Ms. Wang Xin *(Notes iii and iv)*	—	111	—	7	118
Mr. Leng Xuejun *(Note ii)*	—	232	—	10	242
Total	—	913	422	49	1,384

	For the year ended 31 December 2018				
	Fee	Salaries and allowances	Performance related bonuses *(Note i)*	Retirement benefit contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Ms. Li *(Note ii) (Chairlady)*	—	677	—	39	716
Mr. Feng Xing *(Note ii)*	—	851	—	37	888
Ms. Wang Xin *(Note iii and iv)*	—	147	—	14	161
Mr. Leng Xuejun *(Note ii)*	—	312	100	27	439
Total	—	1,987	100	117	2,204

	Four months ended 30 April 2018 (unaudited)				
	Fee	Salaries and allowances	Performance related bonuses *(Note i)*	Retirement benefit contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Ms. Li *(Note ii) (Chairlady)*	—	221	—	6	227
Mr. Feng Xing *(Note ii)*	—	279	—	5	284
Ms. Wang Xin *(Note iii and iv)*	—	47	—	2	49
Mr. Leng Xuejun *(Note ii)*	—	78	—	3	81
Total	—	625	—	16	641

	Four months ended 30 April 2019				
	Fee	Salaries and allowances	Performance related bonuses *(Note i)*	Retirement benefit contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Ms. Li *(Note ii) (Chairlady)*	—	227	—	20	247
Mr. Feng Xing *(Note ii)*	—	285	—	20	305
Ms. Wang Xin *(Note iii and iv)*	—	51	—	7	58
Mr. Leng Xuejun *(Note ii)*	—	136	—	15	151
Total	—	699	—	62	761

Notes:

i Performance related bonuses are determined based on the Group's performance, performance of the relevant individual within the Group and comparable market statistics.

ii Role as executive director of the Company commenced from 25 January 2019.

iii Role as executive director of the Company commenced from 1 April 2019.

iv Ms. Wang Xin is the sister of Ms. Wang, the controlling shareholder.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Track Record Period.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included two directors for the Track Record Period, details of whose remuneration are set out in Note 11 above. Details of the remuneration for the remaining three individuals for the Track Record Period were as follows:

	For the year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and allowance	759	515	1,116	334	393
Performance related bonuses *(Note)*	39	2,246	1,272	277	306
Retirement benefits contribution	26	40	101	11	56
	824	2,801	2,489	622	755

Note: Performance related bonuses are determined based on the Group's performance, performance of the relevant individual within the Group and comparable market statistics.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	For the year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Nil to HKD1,000,000	3	2	2	3	3
HKD1,000,001 to HKD1,500,000	—	—	1	—	—
HKD1,500,001 to HKD2,000,000	—	1	—	—	—
Total	3	3	3	3	3

During the Track Record Period, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

In August 2018, Beijing Ruicheng declared and paid an interim dividend of RMB54,000,000 to its shareholders.

The rate of dividend and the number of shares, ranking for the dividend are not presented as such information is not meaningful having regards for the purpose of this report.

Other than the above, no dividend was paid or declared by the other companies comprising the Group during the Track Record Period.

14. EARNINGS PER SHARE

From continuing operations

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period attributable to owners of the Company	15,766	40,213	46,149	6,852	6,536
Less:					
(Profit) loss for the year/period from discontinued operations	—	(2,473)	474	1,055	—
Earnings for the purpose of basic earnings per share from continuing operations	15,766	37,740	46,623	7,907	6,536

Number of shares

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
				(unaudited)	
Weighted average number of ordinary shares for the purpose of basic earnings per share *('000)*	294,089	294,089	294,194	294,089	298,045

From continuing and discontinued operations

The calculation of the basic earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period attributable to owners of the Company	15,766	40,213	46,149	6,852	6,536

The denominators used are the same as those detailed above for basic earnings per share.

From discontinued operations

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit (loss) for the year/period from discontinued operations attributable to owners of the Company	—	2,473	(474)	(1,055)	—

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(unaudited)	
Basic earnings (loss) per share for discontinued operations	—	0.01	—	(0.01)	—

The denominators used are the same as those detailed above for basic earnings per share.

The weighted average number of ordinary shares for the purpose of basic earnings per share is based on 300,000,000 shares after taking into account the effect on the assumption that the Capitalisation Issue (as defined in Note 39) and the Loan Capitalisation (as defined in Note 39) is completed on 1 January 2016, and adjusted retrospectively during the Track Record Period.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

15. PROPERTY AND EQUIPMENT

	Buildings *RMB'000*	Right-of-use assets *RMB'000*	Leasehold improvements *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST							
At 1 January 2016	3,400	5,613	—	5,472	634	—	15,119
Additions	—	10,751	625	—	491	—	11,867
Disposals	—	(5,613)	—	—	—	—	(5,613)
At 31 December 2016	3,400	10,751	625	5,472	1,125	—	21,373
Additions	—	—	—	3	101	1,129	1,233
Acquired on acquisition of a subsidiary *(Note 31)*	6,271	17,169	—	—	40	17,364	40,844
Transfers	16,644	—	—	—	—	(16,644)	—
At 31 December 2017	26,315	27,920	625	5,475	1,266	1,849	63,450
Additions	—	—	—	245	52	—	297
Reclassified as held for distribution to owners *(Note)*	(3,400)	—	—	—	—	—	(3,400)
Disposals	—	—	—	—	(2)	—	(2)
Disposal of a subsidiary *(Note 32(a))*	(22,915)	(17,169)	—	(3)	(143)	(1,849)	(42,079)
At 31 December 2018	—	10,751	625	5,717	1,173	—	18,266
Additions	—	—	—	—	7	—	7
At 30 April 2019	—	10,751	625	5,717	1,180	—	18,273
ACCUMULATED DEPRECIATION							
At 1 January 2016	673	—	—	4,252	456	—	5,381
Charge for the year	162	2,411	104	780	142	—	3,599
Disposals	—	(401)	—	—	—	—	(401)
At 31 December 2016	835	2,010	104	5,032	598	—	8,579
Charge for the year	927	2,562	125	166	218	—	3,998
At 31 December 2017	1,762	4,572	229	5,198	816	—	12,577
Charge for the year	2,005	2,893	125	32	229	—	5,284
Reclassified as held for distribution to owners *(Note)*	(1,157)	—	—	—	—	—	(1,157)
Eliminated on disposals	—	—	—	—	(2)	—	(2)
Eliminated on disposal of a subsidiary *(Note 32(a))*	(2,610)	(1,259)	—	(1)	(59)	—	(3,929)
At 31 December 2018	—	6,206	354	5,229	984	—	12,773
Charge for the period	—	699	42	16	49	—	806
At 30 April 2019	—	6,905	396	5,245	1,033	—	13,579
CARRYING AMOUNT							
At 31 December 2016	2,565	8,741	521	440	527	—	12,794
At 31 December 2017	24,553	23,348	396	277	450	1,849	50,873
At 31 December 2018	—	4,545	271	488	189	—	5,493
At 30 April 2019	—	3,846	229	472	147	—	4,694

Note: On 21 December 2018, pursuant to an shareholders' resolution, Beijing Ruicheng is demerged into two companies, namely Beijing Ruicheng and Beijing Yuehe Management Consulting Co., Ltd. ("Beijing Yuehe")* (北京悦和管理諮詢有限公司). Beijing Yuehe, a company controlled by Ms. Wang, will obtain a building and assume a liability directly associated with the building from Beijing Ruicheng. Since Beijing Yuehe is established on 2 April 2019, as at 31 December 2018, the Directors determined the building and the liability should be treated as asset classified as held for distribution to owners and liability associated with the asset classified as held for distribution to owners, respectively.

As at 31 December 2018, the net carrying amounts of the building and the liability were amounted to RMB2,243,000 and RMB980,000, respectively.

After Beijing Yuehe was established, the building and the liability were distributed to owners in April 2019 of which the net carrying amounts of the building and the liability were amounted to RMB2,189,000 and RMB950,000, respectively. The net amount of RMB1,239,000 from the distribution was debited to capital reserve.

The above items of property and equipment are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis at the following useful lives:

Buildings	20 years
Right-of-use assets	Over the lease term
Leasehold improvements	5 years
Motor vehicles	5 years
Office equipment	3–5 years

As at 31 December 2017, one of the Group's buildings with a carrying amount of RMB2,404,000 was pledged to secure bank borrowings as set out in Note 26 and the pledge was released upon fully settlement of the corresponding bank borrowings in 2018.

The carrying amounts of right-of-use assets at end of each reporting period and the depreciation by classes of rights-of-use assets are set out as below:

	As at 31 December			**As at 30 April**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts				
Land	—	16,705	—	—
Buildings	8,741	6,643	4,545	3,846
	8,741	23,348	4,545	3,846

	For the year ended 31 December			**As at 30 April**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation recognised in profit or loss				
Land	—	464	795	—
Buildings	2,411	2,098	2,098	699
	2,411	2,562	2,893	699

* *English name is for identification purpose only.*

16. GOODWILL

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January	—	—	60	—
Arising on acquisition of a subsidiary *(Note 31)*	—	60	—	—
Disposal of a subsidiary *(Note 32(a))*	—	—	(60)	—
At 31 December	—	60	—	—
CARRYING AMOUNT				
At 31 December	—	60	—	—

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in film and drama	—	13,000	6,050	20,490
Analysed for reporting purposes as:				
Current assets	—	—	—	680
Non-current assets	—	13,000	6,050	19,810
	—	13,000	6,050	20,490

On 31 October 2017, Beijing Ruicheng entered into a contract, pursuant to which Beijing Ruicheng invested RMB13,000,000 in an internet drama and was entitled to share certain percentage of income to be generated from the internet drama distribution based on the proportion of investment amount. The Directors designated the investment as FVTPL.

On 1 January 2018, the Group adopted IFRS 9 *Financial Instruments*, and the investment held by the Group was classified as a financial asset at FVTPL as explained in Note 2.1(b). The fair value of the investment on 1 January 2018 amounted to RMB13,000,000.

On 21 December 2018, a supplemental agreement was signed which entitled Beijing Ruicheng to a fixed rate of return of 18% for the period from 1 January 2019 to 31 December 2020. In view that there is significant modification of the contractual cash flows of the investment as of 21 December 2018, the financial asset at FVTPL with a carrying amount of RMB13,000,000 is derecognised and a loan receivable, as set out in Note 20, is recognised accordingly. No gain or loss is recognised from the derecognition.

The balance of RMB6,050,000 as at 31 December 2018 represented the Group's investments in film and drama which entitled the Group to share certain percentage of income to be generated from the film and drama based on the proportion of investment amounts as specified in respective investment agreements. The Group increased RMB15,000,000 investment in one of the investments during the four months ended 30 April 2019.

During the four months ended 30 April 2019, decrease in fair value with an amount of RMB560,000 was recognised in profit or loss. The details of fair valve measurements are set out in Note 35.

18. AVAILABLE-FOR-SALE INVESTMENT

	As at 31 December	
	2016	**2017**
	RMB'000	*RMB'000*
Unlisted equity investment, at cost	—	1,500

The unlisted equity investment represents 7.5% of equity interest in a private entity established in the PRC, which is engaged, among other things, in the design and development of computer software. Before 1 January 2018, it is measured at cost less impairment at the end of each the reporting period.

On 1 January 2018, the Group adopted IFRS 9 *Financial Instruments*, and the investment held by the Group were classified as equity instrument at FVTPL. The fair value of the equity investment on 1 January 2018 amounted to RMB1,500,000.

On 28 December 2018, a resolution of shareholders' meeting was passed, pursuant to which the Group transferred the unlisted equity investment to Ruicheng Hexin (Beijing) Media Co., Ltd.* (瑞誠禾信(北京)傳媒有限責任公司) ("Ruicheng Hexin"), which is a company controlled by Ms. Wang, at a cash consideration of RMB1. The transfer was regarded as a deemed distribution to owners of the Group. The difference of RMB1,499,999 between the fair value of the investment of RMB1,500,000 and the consideration received of RMB1 is charged to capital reserve.

* *English name is for identification purpose only.*

19. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	Tax Loss	Allowance for impairment	Timing differences in relation to lease arrangements	Revaluation of buildings	Revaluation of right-of-use assets	Other	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	—	—	—	—	—	—	—
Credit to profit or loss	—	—	107	—	—	—	107
At 31 December 2016	—	—	107	—	—	—	107
Arising on acquisition of a subsidiary *(Note 31)*	—	—	—	(1,068)	(4,237)	—	(5,305)
Credit to profit or loss	—	—	24	147	114	—	285
At 31 December 2017	—	—	131	(921)	(4,123)	—	(4,913)
Effect arising from initial application of IFRS 9 *(Note 2)*	—	296	—	—	—	—	296
At 1 January 2018	—	296	131	(921)	(4,123)	—	(4,617)
Credit (charge) to profit or loss	—	217	(6)	242	196	—	649
Disposal of a subsidiary *(Note 32(a))*	—	—	—	679	3,927	—	4,606
At 31 December 2018	—	513	125	—	—	—	638
Credit (charge) to profit or loss	983	315	(9)	—	—	140	1,429
At 30 April 2019	983	828	116	—	—	140	2,067

As at 31 December 2016, 2017, 2018 and 30 April 2019, the Group has unused tax losses of RMB15,000, RMB35,000, RMB11,000 and RMB4,009,000, respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of nil, nil, nil and RMB3,931,000 of such losses, respectively. No deferred tax asset has been recognised in respect of the remaining RMB15,000, RMB35,000, RMB11,000 and RMB78,000, respectively, due to the unpredictability of future profit streams. The unrecognised tax losses will be expired as follow:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2020	3	3	—	—
2021	12	12	—	—
2022	—	20	10	—
2023	—	—	1	—
2024	—	—	—	78
	15	35	11	78

20. LOAN RECEIVABLE

As disclosed in Note 17, the investment in internet drama with an amount of RMB13,000,000 is recognised as a loan receivable on 21 December 2018 and is subsequently measured at amortised cost because the Group's business model was to hold the financial asset in order to collect contractual cash flow, and the cash flow of the investment met the IFRS 9 criteria as solely payment of principal and interest on the principal amount outstanding.

As at 31 December 2018, loan receivable is unsecured and carried a fixed return rate of 18% in aggregate for the period from 1 January 2019 to 31 December 2020.

As at 30 April 2019, the carrying amount of loan receivable is RMB12,897,000, net of accumulated ECL impairment of RMB493,000.

Details of impairment assessment for the Track Record Period are set out in Note 35.

21. TRADE AND NOTES RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	41,363	65,945	149,640	158,348
Notes receivables	7,430	3,450	—	—
Less: allowance for credit losses	—	—	(2,183)	(2,821)
	48,793	69,395	147,457	155,527
Prepayments and other receivables:				
Prepayments to suppliers	51,192	98,887	53,182	35,924
Rental and other deposits	10,296	9,218	4,740	11,556
Deferred listing expenses	—	—	1,381	3,158
Others	35	5,660	2,156	1,708
	61,523	113,765	61,459	52,346
Less: long-term deposit	(401)	(401)	(401)	(401)
	61,122	113,364	61,058	51,945
Total trade and notes receivables, prepayments and other receivables	109,915	182,759	208,515	207,472

As at 1 January 2016, trade receivables from contracts with customers amounted to RMB16,585,000.

The Group's trade receivables with certain customers are used to secure certain bank borrowings which is disclosed in Note 26.

The Group generally determines the credit period granted to customers with reference to the financial position, credit record, duration of business relationship and the types of services the Group provides. Credit and payment terms may vary for different customers and projects. The Group generally issues billings to customers after performance of advertising services according to the terms set out in the relevant contracts.

For TV advertising services, the Group generally provides credit periods ranging from 3 to 90 days after performing the advertising services to customers. For certain customers, the Group demands payment by instalments or in full prior to services being provided.

For online advertising services, the Group generally provide credit periods ranging from 5 to 60 days after performing the advertising services to customers. For certain customers, the Group receives prepayment before services are provided and the amounts are deducted based on monthly services provided.

For outdoor advertising services, the Group generally sets the contract terms by instalments within the contract period.

The following is an aged analysis of trade and notes receivables net of allowance for credit losses presented based on the date of billing:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	11,898	26,860	66,308	54,957
31–90 days	17,596	23,894	74,918	76,223
91–180 days	15,347	13,711	4,839	24,253
181–360 days	3,952	4,341	—	94
Over 360 days	—	589	1,392	—
Total	48,793	69,395	147,457	155,527

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB34,477,000 and RMB45,580,000 as at 31 December 2018 and 30 April 2019, respectively, which are past due as at the reporting date. Out of the past due balances, RMB12,182,000 and RMB19,007,000, as at 31 December 2018 and 30 April 2019, respectively, has been past due 90 days or more and is not considered as in default because there is no significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances or charge any interest thereon.

For trade receivables disclosed below which are past due but not impaired, the Directors access the customer's credit quality by evaluating their historical credit records and define credit limits for each customer. Recoverability and credit limits of the existing customers are evaluated by the Directors regularly.

Including in the Group's trade and notes receivables balance as at 31 December 2016 and 2017 are debtors with aggregate carrying amount of RMB31,639,000 and RMB36,642,000, respectively, which are past due as at the reporting date for which the Group has not provided for impairment loss. Based on the historical experience of the Group, those trade receivables that are past due but not impaired are generally recoverable due to the long term cooperation history. In determining the allowance for trade receivables, the management considers the credit history including default in payments, settlement records and subsequent settlements and any changes in the creditability of its customers. The Group does not hold any collateral over these balances. Ageing of trade and notes receivables that are past due but not impaired:

	As at 31 December	
	2016	2017
	RMB'000	*RMB'000*
0–30 days	5,700	141
31–90 days	20,071	31,571
91–180 days	2,897	—
181–360 days	2,765	4,341
Over 360 days	206	589
Total	31,639	36,642

Movement in the allowance for impairment losses

	RMB'000
As at 1 January 2016 and 31 December 2016 and 2017	—

Details of impairment assessment of trade receivables for the year ended 31 December 2018 and the four months ended 30 April 2019 are set out in Note 35.

22. CONTRACT ASSETS

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Contract assets	1,415	3,228	—	896

As at 1 January 2016, contract asset from contracts with customers amounted to nil.

The Group generally collects the service fees either at the inception of the service contract or by instalments over the service period. Upon entering into a service contract with customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to perform advertising service to customers. The service contract is an asset if the measure of remaining conditional rights to consideration exceeds the satisfied performance obligations. Contract asset is recognised over the period of the contract in which the service is performed representing the Group's rights to receive consideration for the service performed because the rights are conditioned on the Group's future performance of remaining advertising service. The contract assets are transferred to trade receivables when the rights become unconditional, i.e. advertising services performed are verified by an independent third party with relevant qualifications and experience.

23. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.30% to 1.10%, 0.30% to 1.10%, 0.30% to 1.10% and 0.30% to 1.10% per annum as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

24. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	16,185	7,772	75,383	61,989
Staff cost payables	1,551	3,444	2,671	1,608
Other tax payables	3,922	6,245	12,758	10,682
Listing expenses payables	—	—	3,423	5,880
Others	241	162	8	21
	21,899	17,623	94,243	80,180

An aged analysis of the Group's trade payables, as at the end of each reporting period, based on the invoice date is as follows:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	10,857	4,463	71,436	59,325
31–90 days	100	15	1,819	—
Over 90 days	5,228	3,294	2,128	2,664
	16,185	7,772	75,383	61,989

The Group is granted a credit period from 2 to 60 days from its suppliers, unless prepayment to suppliers is specified on the contract.

25. CONTRACT LIABILITIES

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Contract liabilities	7,946	63,914	1,748	5,405

As at 1 January 2016, contract liabilities from contracts with customers amounted to RMB1,705,000.

Contract liabilities are recognised when the Company receives an amount from customers before services are provided, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received. The Company typically receives a deposit of 30% of total consideration from certain customers when they enter into the contracts with the Company.

Revenue recognised during each reporting period included the whole amount of contract liabilities at the beginning of the respective reporting period. There was no revenue recognised during the Track Record Period that related to performance obligations that were satisfied in prior years.

26. BANK AND OTHER BORROWINGS

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans — secured *(Note i)*	—	25,000	10,000	10,060
— unsecured *(Note ii)*	—	39,083	73,523	74,176
Other borrowing — secured *(Note iii)*	—	7,067	—	—
	—	71,150	83,523	84,236
The carrying amounts of the above borrowings are repayable				
— Within one year	—	68,001	83,523	84,236
— Within a period of over one year but not exceeding two years	—	3,149	—	—
	—	71,150	83,523	84,236
Less: Amounts due within one year shown under current liabilities	—	(68,001)	(83,523)	(84,236)
Amounts shown under non-current liabilities	—	3,149	—	—

Notes:

(i) Secured bank loan as at 31 December 2017 represented:

A bank loan of RMB25,000,000 which bears a fixed interest rate of 5.22% per annum and matured on 19 March 2018. The bank loan was secured by the Group's building with a carrying amount of RMB2,404,000 as at 31 December 2017 and guaranteed by Ms. Wang, the controlling shareholder of the Group. The loan was fully settled during the year ended 31 December 2018.

Secured bank loan as at 31 December 2018 and 30 April 2019 represented:

A bank loan of RMB10,000,000 which bears a fixed interest rate of 7.18% per annum and will be matured on 28 March 2019. The bank loan was secured by the Group's trade receivables with certain customers. In March 2019, maturity of the bank loan was extended to 26 June 2019. The amortised costs of the bank loan was RMB10,060,000 as at 30 April 2019.

(ii) Unsecured bank loans as at 31 December 2017 represented:

Two bank loans totalling of RMB40,000,000 which bear fixed interest rates of 5.22% per annum and matured on 14 November 2018 and 22 November 2018, respectively. The bank loans were guaranteed by Beijing SMEs Credits Re-guarantee Co., Ltd. (the "Third Party Guarantor"), an independent third party, who charged an upfront guarantee fees at 2.5% of the corresponding loan principal amounts. Simultaneously, the guarantee provided by the Third Party Guarantor was personal guaranteed by Ms. Wang and Ms. Li. The effective interest rate of bank loans is 8.16% per annum. The aggregate amortised costs of the bank loans amounted to RMB39,083,000 at 31 December 2017. The two loans were fully settled during the year ended 31 December 2018.

Unsecured bank loans as at 31 December 2018 and 30 April 2019 represented:

Seven bank loans totaling of RMB75,000,000 which bear fixed interest rates ranging from 5.22% to 5.23% per annum and will mature from June 2019 to November 2019 as at 31 December 2018. Two of these bank loans of RMB20,000,000 were early repaid and borrowed back and will mature in April 2020. The bank loans were guaranteed by Third Party Guarantor, who charged an upfront guarantee fees at 2.5% of the corresponding loan principal amounts. The effective interest rates of these bank loans, range from 8.14% to 8.55% and 8.14% to 8.95% per annum as at 31 December 2018 and 30 April 2019, respectively. The aggregate amortised costs of the bank loans were RMB73,523,000 and RMB74,176,000 at 31 December 2018 and 30 April 2019, respectively.

(iii) The balance of other borrowing as at 31 December 2017 represented a financing arrangement with Beijing Culture Technology Finance Lease Co., Ltd., an independent third party, pursuant to which the Group transferred the legal title of an internally-developed software which was not capitalised to Beijing Culture Technology Finance Lease Co., Ltd. and then leased back. Upon the maturity of the lease, Beijing Ruicheng is entitled to purchase back the software at a cash consideration of RMB100. Despite the arrangement involves a legal form of a lease, Beijing Ruicheng accounted for the arrangement as a secured borrowing at amortised cost using effective interest method, in accordance with the substance of the arrangement. The borrowing bears an effective interest rate of 8.27% per annum and will be repaid by quarterly instalment until July 2019. The borrowing is also guaranteed by Ms. Wang and Ms. Li. Other borrowing was fully settled with early repayment during the year ended 31 December 2018.

27. AMOUNTS DUE FROM/TO SUBSIDIARIES

The Company

The amounts are non-trade nature, unsecured, interest-free and repayable on demand.

28. PAID-IN CAPITAL/SHARE CAPITAL

Combined capital of the Group

For the purpose of presentation of the consolidated statements of financial position, before the completion of the Group Reorganisation, the balances of paid-in capital/share capital of the Group as at 31 December 2016, 2017 and 2018 represent the paid-in capital/share capital of Beijing Ruicheng.

Share capital of the Company

	Number of shares	**Share capital** *HKD*
Ordinary shares of HKD0.01 each		
Authorised		
At 15 January 2019		
(the date of incorporation) *(Note i)*	38,000,000	380,000
At 30 April 2019	38,000,000	380,000
Issued and fully paid		
At 15 January 2019		
(the date of incorporation) *(Note i)*	1	—
Issue of new shares *(Note ii)*	8,079,999	80,800
Issue of new shares to Hengrui Co., Ltd. *(Note iii)*	80,800	808
Balance at 30 April 2019	8,160,800	81,608

	As at 30 April 2019 *RMB'000*
Presented as	70

Notes:

i. The Company was incorporated on 15 January 2019 and 1 share was allotted and issued to the initial subscriber.

ii. On 25 January 2019, 8,079,999 shares were allotted and issued in cash to nine investment holding companies under the laws of BVI, respectively, including Yingheng Co., Ltd. and Jing Gen Holdings Ltd.* (經亘控股有限公司). On the same date, the subscriber 1 share was transferred to Jing Gen Holdings Ltd. by the initial subscriber.

iii. On 21 March 2019, Hengrui Co., Ltd., a company incorporated under the laws of BVI which is wholly owned by Mr. Soon, subscribed for 80,800 shares at a subscription price of HKD2,338,000 (equivalent to RMB2,001,000) in cash. Amount of RMB1,000 was recorded in share capital, which represented 0.99% of equity interest of the Company and the remaining amount of RMB2,000,000 was recorded in share premium.

* *English names are for identification purpose only.*

29. RESERVES

The Company

	Share premium	Capital reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the date of incorporation	—	—	(4,143)	(4,143)
Loss and total comprehensive expense for the period	—	—	(5,759)	(5,759)
Waiver of listing expenses by a subsidiary	—	4,143	—	4,143
Share premium from Hengrui Co., Ltd.	2,000	—	—	2,000
Balance at 30 April 2019	2,000	4,143	(9,902)	(3,759)

30. RETIREMENT BENEFITS SCHEMES

The PRC employees of the Group are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries of the Company are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The retirement benefit cost charged to profit or loss from continuing operations for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019 amounted to RMB643,000, RMB628,000 and RMB1,221,000, RMB197,000 (unaudited) and RMB640,000, respectively.

31. ACQUISITION OF A SUBSIDIARY

On 26 May 2017, the Group acquired 100% equity interest of Qingdao Economic and Technological Development Zone Chaoqun Culture Co., Ltd.* (青島經濟技術開發區超群文化有限公司) ("Qingdao Chaoqun") for a cash consideration of RMB8,000,000 from independent third parties. The acquisition is accounted for using the acquisition accounting. The amount of goodwill arising as a result of the acquisition was RMB60,000.

Qingdao Chaoqun is engaged in operation of film and TV park and production of short videos in Qingdao, the PRC. The Directors consider that the acquisition is in line with the objective of diversifying the Group's business.

Consideration transferred:

	RMB'000
Cash	8,000

Acquisition-related costs had been excluded from the cost of acquisition and recognised directly as an expense in the period when incurred in the consolidated statements of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property and equipment	40,844
Bank balances and cash	6
Other payables	(27,605)
Deferred tax liabilities	(5,305)
	7,940

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	8,000
Less: net assets acquired	(7,940)
Goodwill arising on acquisition	60

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Qingdao Chaoqun:

	RMB'000
Cash consideration paid	8,000
Less: bank balances and cash acquired	(6)
	7,994

Included in the profit for the year ended 31 December 2017 is RMB2,473,000 attributable to the additional business generated by Qingdao Chaoqun. Revenue for the year ended 31 December 2017 includes RMB16,656,000 generated from Qingdao Chaoqun.

Had the acquisition been completed on 1 January 2017, total group revenue for the year would have been RMB677,268,000, and profit for the year would have been RMB39,408,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Qingdao Chaoqun been acquired at the beginning of 2017, the Directors have calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

* *English name is for identification purpose only.*

32. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Qingdao Chaoqun

On 13 December 2018, Ruicheng Hexin, a company controlled by Ms. Wang, and Beijing Ruicheng entered into an equity transfer agreement, pursuant to which, 100% of equity interest in Qingdao Chaoqun was transferred from Beijing Ruicheng to Ruicheng Hexin at a cash consideration of RMB1. Qingdao Chaoqun principally engages in operation of film and TV park and production of short videos in Qingdao which, in the opinion of the Directors, represents a separate line of businesses. The disposal of Qingdao Chaoqun is accounted as a deemed distribution to the owners of the Group and is presented as discontinued operations during the Track Record Period.

The difference of RMB37,002,000 between the net carrying amount of the relevant assets and liabilities of RMB36,942,000, goodwill of RMB60,000 and the cash consideration of RMB1 is charged to capital reserve.

Analysis of profit (loss) for the period/year from discontinued operations

The results of Qingdao Chaoqun during the Track Record Period, which have been included in the consolidated statements of profit or loss and other comprehensive income, are set out as follows:

	For the period from 26 May 2017 to 31 December 2017	**For the four months ended 30 April 2018**	**For the year ended 31 December 2018**
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Revenue	16,656	29	6,045
Cost of revenue	(12,236)	(34)	(3,435)
Gross profit	4,420	(5)	2,610
Other income	4	1	2
Selling and marketing expenses	(52)	—	—
Administrative expenses	(2,111)	(1,197)	(3,222)
Profit (loss) before tax	2,261	(1,201)	(610)
Income tax credit	212	146	136
Profit (loss) for the period/year from discontinued operations	2,473	(1,055)	(474)

	For the period from 26 May 2017 to 31 December 2017	For the four months ended 30 April 2018	For the year ended 31 December 2018
	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Profit (loss) for the period/year from Qingdao Chaoqun has been arrived at after charging:			
Depreciation of property and equipment	1,257	890	2,672
Staff costs			
Salaries and allowances	308	183	524
Retirement benefit contribution	28	18	49
Total staff costs	336	201	573
Net cash generated from (used in)			
Operating activities	(25,491)	(7,905)	(16,250)
Investing activities	—	(19)	(21)
Financing activities	27,000	6,550	14,826
Total cash flows	1,509	(1,374)	(1,445)

The Group's share of net assets of Qingdao Chaoqun at the date of disposal and the effect of disposal were as follows:

Consideration received:

	RMB'000
Deferred cash consideration	— *(Note)*

Note: The amount is RMB1. The deferred consideration will be settled in cash by Ruicheng Hexin in 2019.

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property and equipment	38,150
Amount due from Beijing Ruicheng	5,000
Prepayment and other receivables	18,682
Bank balances and cash	70
Trade and other payables	(528)
Amounts due to related parties	
— Beijing Ruicheng	(11,800)
— Shanghai Kailun	(3,026)
Deferred tax liabilities	(4,606)
Bank borrowings	(5,000)
Net assets disposed of	36,942

Charged to capital reserve on disposal of a subsidiary

	RMB'000
Consideration receivable	—
Net assets disposal of	(36,942)
Goodwill	(60)
Charged to capital reserve	(37,002)

Net cash outflow arising on disposal:

	RMB'000
Cash consideration	—
Less: bank balances and cash disposed of	(70)
	(70)

(b) Disposal of Beijing Ruicheng Jiaye Public Relations Consulting Co., Ltd.* (北京瑞誠嘉業公關顧問有限公司) ("Beijing Ruicheng Jiaye")

On 26 November 2018, Ruicheng Hexin, a company controlled by Ms. Wang, and Beijing Ruicheng entered into an equity transfer agreement, pursuant to which, 100% equity interest in Beijing Ruicheng Jiaye was transferred from Beijing Ruicheng to Ruicheng Hexin at a cash consideration of RMB1.

The difference of RMB985,000 between the carrying amount of the relevant assets of RMB985,000 and the cash consideration of RMB1 is charged to capital reserve.

The Group's share of net assets of Beijing Ruicheng Jiaye at the date of disposal and the effect were as follows:

Consideration received:

	RMB'000
Deferred cash consideration	— *(Note)*

Note: The amount is RMB1. The deferred consideration will be settled in cash by Ruicheng Hexin in 2019.

Analysis of assets over which control was lost:

	RMB'000
Bank balances and cash	5
Amount due from a related party	
— Beijing Ruicheng	980
Net assets disposed of	985

Net cash outflow arising on disposal:

	RMB'000
Cash consideration	—
Less: bank balances and cash disposed of	(5)
	(5)

(c) Disposal of Wuxi Ruicheng Movie Media Co., Ltd.* (無錫瑞誠影視傳媒有限公司) ("Wuxi Ruicheng")

On 24 December 2018, Ruicheng Hexin, a company controlled by Ms. Wang, and Beijing Ruicheng entered into an equity transfer agreement, pursuant to which, 100% equity interest in Wuxi Ruicheng was transferred from Beijing Ruicheng to Ruicheng Hexin with nil consideration.

The carrying amount of the net liabilities disposed is credited to capital reserve.

Analysis of assets and liabilities over which control was lost:

	RMB'000
Other receivables	12
Amount due to a related party	
— Beijing Ruicheng	(24)
Net liabilities disposed of	(12)

* *English names are for identification purpose only.*

33. LEASE LIABILITIES

The Group leases properties to operate its business. These leases are typically made for fixed terms of 5 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

The Group also leases billboards with contract terms of less than one year. These leases are short-term and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The exposure of the Group's lease liabilities are as follows:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed for reporting purposes as:				
Current liabilities	2,002	2,122	2,250	2,283
Non-current liabilities	7,167	5,045	2,795	2,027
	9,169	**7,167**	**5,045**	**4,310**

	Minimum lease payment				Present value of lease liabilities			
	As at 31 December			As at 30 April	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**	**2016**	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Minimum lease payment due:								
within one year	2,406	2,406	2,587	2,586	2,002	2,122	2,250	2,283
more than one year, but not exceeding two years	2,406	2,586	2,586	1,756	2,122	2,250	2,385	2,027
more than two years	5,172	2,586	—	—	5,045	2,795	410	—
	9,984	**7,578**	**5,173**	**4,342**	**9,169**	**7,167**	**5,045**	**4,310**
Less: future finance charges	(815)	(411)	(128)	(32)				
Present value of lease liabilities	**9,169**	**7,167**	**5,045**	**4,310**				
Less: Amounts due for settlement within one year (shown under current liabilities)					(2,002)	(2,122)	(2,250)	(2,283)
Amounts due for settlement after one year					**7,167**	**5,045**	**2,795**	**2,027**

Lease liabilities of the Group were measured at the present value of the lease payments that are not yet paid using its incremental borrowing rate at 1 January 2016. The rate applied is 5.88%. All leases are entered at fixed prices. The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The total cash outflows for leases including the payments of lease liabilities for the years ended 31 December 2016, 2017, 2018 and for the four months ended 30 April 2018 and 2019 were RMB1,946,000, RMB2,002,000, RMB2,122,000, RMB694,000 (unaudited) and RMB735,000, respectively.

On 31 May 2019, the Group signed a supplementary contract with the lessor, and the current lease contract will be early terminated on 4 September 2019. On 13 June 2019, two new lease contracts have been signed on new premises for three years starting from 1 July 2019 with a total rental of RMB5,271,000 for three years.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank and other borrowings disclosed in Note 26, lease liabilities in Note 33, and amounts due to related parties in Note 37, net of cash and cash equivalents, and equity attributable to owners of the Group, comprising share capital/paid-in capital, reserves and retained earnings.

The Directors reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debts.

35. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group

Categories of the financial instruments

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Loans and receivables (Including bank balances and cash)	70,983	141,029	—	—
AFS investment	—	1,500	—	—
Financial assets at amortised cost	—	—	218,549	214,136
Financial assets at FVTPL	—	13,000	6,050	20,490
Financial liabilities:				
Amortised cost	16,426	79,084	168,317	158,903

The Company

Categories of the financial instruments

	As at 30 April
	2019
	RMB'000
Financial asset:	
Financial assets at amortised cost	3,847
Financial liability:	
Amortised cost	10,694

Financial risk management objectives and policies

The Group's major financial instruments include loan receivable, trade and notes receivables, other receivables, amounts due from and due to related parties, bank balances and cash, AFS investment, financial assets at FVTPL, trade and other payables and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group

As at the end of each reporting period, the Group had the following financial assets and financial liabilities, which are bank balances and cash, other payables and amounts due to related parties, denominated in currencies other than RMB.

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
— HKD	—	—	—	324
Liabilities:				
— HKD	—	—	3,423	4,016
— USD	—	—	—	2,194
	—	—	3,423	6,210

The Company

As at the end of each reporting period, the Company had the following financial assets and financial liabilities, which are cash, amounts due from a subsidiary, listing expenses payables and amounts due to Ms. Wang, denominated in currencies other than RMB.

	As at 30 April
	2019
	RMB'000
Assets:	
— HKD	2,070
— USD	1,777
	3,847
Liabilities:	
— HKD	3,996
— USD	2,194
	6,190

Sensitivity analysis

The Group

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusted their transaction at year/period end for a 5% change in foreign currency rates. The sensitivity analysis includes bank balances and cash, other payables, amounts due to shareholders and amount due to a related party. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates.

If 5% weakening/strengthening of USD and HKD against RMB, the Group's post tax profit for the year ended 31 December 2018 and the four months ended 30 April 2019 would increase/decrease by RMB171,000 and RMB295,000, respectively. This is mainly attributable to the Group's exposure to foreign currencies rates of HKD on its listing expenses payables as at 31 December 2018 and USD and HKD on its listing expenses payables, other payables and amounts due to a related party as at 30 April 2019.

The Company

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusted their transaction at year/period end for a 5% change in foreign currency rates. The sensitivity analysis includes bank balances and cash, other payables, amounts due to shareholders and amount due to a related party. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates.

If 5% weakening/strengthening of USD and HKD against RMB, the Company's post tax profit for the four months ended 30 April 2019 would increase/decrease by RMB118,000. This is mainly attributable to the Company's exposure to foreign currencies rates of HKD on its listing expenses payables, amount due to a subsidiary and amounts due to Ms. Wang as at 30 April 2019.

(ii) Interest rate risk

The Group

The Group's fair value interest rate risk relates primarily to fixed-rate bank and other borrowings, lease liabilities, and amounts due to a related party. The Group's policy is to maintain short-term borrowings at prevailing market rates so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk relates primarily to bank balances and cash which carry prevailing market interest rates. Accordingly, no sensitivity analysis is provided.

Credit risk and impairment assessment

The Group

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group has concentration of credit risk as 15.23%, 14.44%, nil and 4.92% of the total trade and notes receivables were due from the Group's largest customer as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively.

The Group also has concentration of credit risk on trade and notes receivables. As at 31 December 2016, 2017, 2018 and 30 April 2019, 76.77%, 60.19%, 42.22% and 53.39% of the total trade and notes receivables were due from the Group's top five customers, respectively.

The Group has concentration of credit risk on the full amount of loan receivable due from the investors of the investment.

Overview of the Group's exposure to credit risk and impairment assessment before adoption of IFRS 9

The Group monitors the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. The Group reviews the recoverable amount of receivables individually or collectively for debtors at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the funds have been deposited with various creditworthy financial institutions located in the PRC.

Overview of the Group's exposure to credit risk and impairment assessment after adoption of IFRS 9 since 1 January 2018

In order to minimise the credit risk, the Group has delegated a team responsible for determination of credit limits and credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 on trade receivables individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The management of the Group estimates the lifetime ECL of trade receivables based on individual assessment of each debtor, after considering credit risk characteristics based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. Estimated loss rates are based on credit risk characteristics with reference to estimated loss rates assigned by international credit-rating agencies.

The Group measures the loss allowance on loan receivable, amount due from related parties and other receivables on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. The credit risk of other receivables, amounts due from related parties and loan receivable is managed through an internal process. The Group actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. As at 31 December 2018, the Group considers there is a low risk of default and does not have any past-due amounts and no loss allowance has been made on these balances except for RMB493,000 loss allowance was made to loan receivable balance as at 30 April 2019.

The Group measures the loss allowance on note receivables and bank balances on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. The credit risk is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies.

As part of the Group's credit risk management, trade receivables have been grouped based on credit risk characteristics. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on individual assessment as at 31 December 2018 and 30 April 2019 within lifetime ECL (not credit-impaired). No debtors were assessed as credit-impaired as at 31 December 2018 and 30 April 2019.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Credit risk characteristic	**12m or lifetime ECL**	**Average loss rate**	**Gross carrying amount as at 31 December 2018**
				RMB'000
Trade receivables *(Note 21)*	Class A	Lifetime ECL (not credit-impaired)	0.5%	114,212
	Class B	Lifetime ECL (not credit-impaired)	2.1%	23,246
	Class C	Lifetime ECL (not credit-impaired)	6.3%	10,330
	Class D	Lifetime ECL (not credit-impaired)	24.8%	1,852
				149,640

	Credit risk characteristic	**12m or lifetime ECL**	**Average loss rate**	**Gross carrying amount as at 30 April 2019**
				RMB'000
Trade receivables *(Note 21)*	Class A	Lifetime ECL (not credit-impaired)	0.5%	102,808
	Class B	Lifetime ECL (not credit-impaired)	2.1%	28,774
	Class C	Lifetime ECL (not credit-impaired)	6.3%	26,766
				158,348
Loan receivable *(Note 20)*	N/A	12m ECL (not credit-impaired)	3.21%	13,390

The Group has classified the trade receivables balances into different groupings based on the share credit risk characteristics that considering the types, sizes of operations and historical loss patterns of the debtors.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items individually.

For loan receivable, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL.

The following tables shows the movements in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired)	**Lifetime ECL (credit-impaired)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2017 under IAS 39	—	—	—
Adjustment upon application of IFRS 9	1,185	—	1,185
As at 1 January 2018 — As restated	1,185	—	1,185
Impairment losses recognised	3,124	—	3,124
Impairment losses reversed	(2,126)	—	(2,126)
As at 31 December 2018	2,183	—	2,183
Impairment losses recognised	2,821	—	2,821
Impairment losses reversed	(2,183)	—	(2,183)
As at 30 April 2019	2,821	—	2,821
(Unaudited)			
As at 1 January 2018 — As restated	1,185	—	1,185
Impairment losses recognised	3,124	—	3,124
Impairment losses reversed	(1,185)	—	(1,185)
As at 30 April 2018	3,124	—	3,124

The following tables shows reconciliation of loss allowances that has been recognised for loan receivable.

	12m ECL	**Lifetime ECL (not credit-impaired)**	**Lifetime ECL (credit-impaired)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018	—	—	—	—
Impairment losses recognised	493	—	—	493
As at 30 April 2019	493	—	—	493

The Group writes off trade receivables and loan receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier. No trade receivables and loan receivable were written off during the Track Record Period.

The Company

The Company is mainly exposed to the credit risk of amount due from a subsidiary. The management of the Group considers the credit risk of the amounts due from subsidiaries is limited because they continuously monitor the quality and financial conditions of the subsidiaries.

Liquidity risk

In management of liquidity risk, the Group's management monitors and maintains a reasonable level of bank balances and cash which deemed adequate by the management to finance the Group's operations and mitigate the impacts of fluctuations in cash flows. The Group relies on the cash generated from operating activities and bank and other borrowings as the main source of liquidity.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

The Group

	Weighted Average interest rate	**On demand or less than 1 month**	**1–3 months**	**4 months to 12 months**	**Over 1 year and less than 5 years**	**Total Undiscounted cash flows**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2016							
Financial liabilities							
Trade and other payables	—	16,426	—	—	—	16,426	16,426
Total		16,426	—	—	—	16,426	16,426
As at 31 December 2017							
Financial liabilities							
Trade and other payables	—	7,934	—	—	—	7,934	7,934
Bank borrowings	7.01	1,288	25,506	41,339	—	68,133	64,083
Other borrowing	8.27	1,092	—	3,276	3,276	7,644	7,067
Total		10,314	25,506	44,615	3,276	83,711	79,084
As at 31 December 2018							
Financial liabilities							
Trade and other payables	—	84,794	—	—	—	84,794	84,794
Bank borrowings	8.08	2,269	10,743	76,844	—	89,856	83,523
Total		87,063	10,743	76,844	—	174,650	168,317
As at 30 April 2019							
Financial liabilities							
Trade and other payables	—	74,667	—	—	—	74,667	74,667
Bank borrowings	8.17	2,144	20,661	66,369	—	89,174	84,236
Total		76,811	20,661	66,369	—	163,841	158,903

The Company

	Weighted Average interest rate	**On demand or less than 1 month**	**1–3 months**	**4 months to 12 months**	**Over 1 year and less than 5 years**	**Total Undiscounted cash flows**	**Carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 April 2019							
Financial liabilities							
Listing expenses payables	—	5,880	—	—	—	5,880	5,880
Amounts due to a subsidiary	—	3,037	—	—	—	3,037	3,037
Amounts due to Ms. Wang	—	1,777	—	—	—	1,777	1,777
Total		10,694	—	—	—	10,694	10,694

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management establishes the appropriate valuation techniques and inputs for fair value measurement.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

Fair value of the Group's financial asset that are measured at fair value on a recurring basis

The Group's investments in film and drama are measured at fair value as at 31 December 2017 and 2018. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial asset	Fair value as at				Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationships of unobservable inputs to fair value
	31/12/2016	31/12/2017	31/12/2018	30/04/2019				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*				
Financial assets at FVTPL	—	13,000	6,050	20,490	Level 3	The discounted cash flow method was used to capture future economic benefits to be derived from the ownership of these investments. Key unobservable inputs: cash flows and discount rate.	Expected future cash flow Discount rate	The higher the expected future cash flow, the higher the fair value. The higher the discount rate, the lower the fair value.

The sensitivity analysis on changes in fair value of these financial assets are as follows:

A 1% increase/decrease in the discount rate while all other variables keep constant, would decrease/increase the carrying amount as at 31 December 2017, 31 December 2018 and 30 April 2019 by RMB157,000, RMB99,000 and RMB415,000, respectively.

A 5% increase/decrease in revenue attributable to the Group while all other variables keep constant, would increase/decrease the carrying amount as at 31 December 2017, 31 December 2018 and 30 April 2019 by RMB643,000, RMB298,000 and RMB901,000, respectively.

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL
	RMB'000
As at 1 January 2016	37,000
Total gains in profit or loss	4,717
Disposal	(41,717)
As at 31 December 2016	—
Purchase	13,000
As at 31 December 2017	13,000
Purchase	6,050
Transfer out of level 3 *(Note 17)*	(13,000)
As at 31 December 2018	6,050
Purchase	15,000
Total losses in profit or loss	(560)
As at 30 April 2019	20,490

Of the total gains or losses for the Track Record Period included in profit or loss, nil, nil, nil and loss of RMB560,000 relates to financial assets designated as at FVTPL/financial assets at FVTPL required by IFRS 9 held at the end of the Track Record Period. Fair value gains or losses on financial assets designated as at FVTPL/financial assets at FVTPL required by IFRS 9 are included in "other income, gains and loss".

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities *RMB'000*	Dividends payable *RMB'000*	Amounts due to related parties *RMB'000*	Bank and other borrowings *RMB'000*	Total *RMB'000*
At 1 January 2016	5,613	—	36,673	—	42,286
Financing cash flow	(1,946)	—	(36,673)	—	(38,619)
Termination of a lease contract	(5,212)	—	—	—	(5,212)
Gains on termination of a lease contract	(37)	—	—	—	(37)
Recognition of lease liabilities	10,751	—	—	—	10,751
At 31 December 2016	9,169	—	—	—	9,169
Financing cash flow	(2,002)	—	—	72,067	70,065
Prepaid guarantee fee	—	—	—	(917)	(917)
At 31 December 2017	7,167	—	—	71,150	78,317
Financing cash flow	(2,122)	(54,000)	—	18,850	(37,272)
Prepaid guarantee fee	—	—	—	(1,477)	(1,477)
Disposal of subsidiaries *(Note 32(a)&(b))*	—	—	5,980	(5,000)	980
Dividends declared	—	54,000	—	—	54,000
At 31 December 2018	5,045	—	5,980	83,523	94,548
Financing cash flow	(735)	—	1,747	—	1,012
Prepaid guarantee fee	—	—	—	327	327
Increase in interest payable	—	—	—	386	386
Distribution to the owners *(Note 15)*	—	—	(950)	—	(950)
At 30 April 2019	4,310	—	6,777	84,236	95,323
(Unaudited)					
At 1 January 2018	7,167	—	—	71,150	78,317
Financing cash flow	(694)	—	—	(5,918)	(6,612)
Prepaid guarantee fee	—	—	—	333	333
At 30 April 2018	6,473	—	—	65,565	72,038

37. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name	**Relationship**
Ms. Wang	Controlling shareholder
Ms. Li	Shareholder and the Executive Director
Ruicheng Hexin	A company controlled by Ms. Wang
Wuxi Ruicheng	A company controlled by Ms. Wang
Qingdao Chaoqun	A company controlled by Ms. Wang
Beijing Ruicheng Jiaye	A company controlled by Ms. Wang

(b) Guarantee received from related parties

As at 31 December 2017, a bank borrowing of RMB25,000,000 was guaranteed by Ms. Wang and another borrowing of RMB7,067,000 was jointly guaranteed by Ms. Wang and Ms. Li. In addition, Ms. Wang and Ms. Li have provided personal guarantee to the Third Party Guarantor for a guarantee of bank loans of RMB39,083,000.

(c) Related party balances

Amounts due from related parties:

Non-trade nature

	As at 31 December			**As at 30 April**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ruicheng Hexin	—	—	— *(Note)*	— *(Note)*
Wuxi Ruicheng	—	—	24	24
Qingdao Chaoqun	—	—	14,826	14,808
Total	—	—	14,850	14,832

Note: The amount is RMB3.

The maximum amounts outstanding during the year ended 31 December 2018 from Ruicheng Hexin, Wuxi Ruicheng and Qingdao Chaoqun were RMB3, RMB24,000 and RMB14,946,000, respectively. These amounts were non-trade nature, unsecured, interest free and repayable on demand. In the opinion of the directors, these amounts will be settled before the Listing.

The maximum amounts outstanding during the four months ended 30 April 2019 from Ruicheng Hexin, Wuxi Ruicheng and Qingdao Chaoqun were RMB3, RMB24,000 and RMB14,826,000, respectively. These amounts were non-trade nature, unsecured, interest free and repayable on demand. In the opinion of the directors, these amounts will be settled before the Listing.

Amounts due to related parties:

The Group

Non-trade nature

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Qingdao Chaoqun *(Note i)*	—	—	5,000	5,000
Ms. Wang *(Note ii)*	—	—	—	1,777
Total	—	—	5,000	6,777

Notes:

i The amount is non-trade nature, unsecured, carries interest at a rate of 5.23% per annum and is repayable on demand. The amount is fully settled in May 2019.

ii. The amount as at 30 April 2019 represents the amount due to Ms. Wang of USD264,699 (equivalent to RMB1,777,000). It is non-trade nature, unsecured, interest-free and repayable on demand. In the opinion of the directors, the amount will be settled or waived before the Listing.

Amount due to a related party and reclassified as a liability associated with asset classified as held for distribution to owners as disclosed in Note 15:

Non-trade nature

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beijing Ruicheng Jiaye	—	—	980	—

The amount is non-trade nature, unsecured, interest free and repayable on demand. The Group repaid RMB30,000 during the four months ended 30 April 2019 and the rest amounts were distributed to the owners after Beijing Yuehe was established.

The Company

Non-trade nature

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ms. Wang	—	—	—	1,777

(d) Remuneration of key management personnel of the Group

The key management of the Group comprises all executive directors of the Company, details of their emoluments are disclosed in Note 11.

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The investment in a subsidiary of the Company represents the investment on Ruicheng BVI, at an amount of USD0.01 (equivalent to RMB0.07) as at 30 April 2019.

Details of the entities directly and indirectly held by the Company, or entities disposed by Beijing Ruicheng during the Track Record Period and the date of this report are set out below:

Name of entities	Place of incorporation/ establishment	Issued and fully paid ordinary share/registered capital	At 31 December 2016	2017	2018	At 30 April 2019	Date of the report	Principal activities
			%	%	%	%	%	
Ruicheng BVI *(Note i)*	BVI	USD0.01	N/A	N/A	N/A	100	100	Investment holding
Ruicheng HK *(Note i)*	Hong Kong	HKD100	N/A	N/A	N/A	100	100	Investment holding
Qingdao Ruicheng Jiaye *(Note ii)*	The PRC	RMB2,000,000	N/A	N/A	—	100	100	Investment holding
Beijing Ruicheng *(Note iii)*	The PRC	RMB80,800,000	100	100	100	100	100	Provision of advertising services
Shanghai Kailun *(Note iv)*	The PRC	RMB5,000,000	100	100	100	100	100	Provision of advertising services
Shanghai Ruicheng Jiahe Cultural Media Co., Ltd. *(Note iv/vi)*	The PRC	RMB1,100,000	100	100	100	N/A	N/A	Inactive
Xizang Wanmei *(Note ii)*	The PRC	RMB5,000,000	N/A	N/A	100	100	100	Provision of advertising services
Beijing Lingyu *(Note ii)*	The PRC	RMB1,000,000	N/A	N/A	88	88	88	Provision of advertising services
Entities disposed by Beijing Ruicheng during the Track Record Period:								
Wuxi Ruicheng *(Note iv/v)*	The PRC	nil	100	100	—	—	—	Inactive
Qingdao Chaoqun *(Note iv/v)*	The PRC	RMB35,000,000	—	100	—	—	—	Operation of film and TV park and production of short videos
Beijing Ruicheng Jiaye *(Note iv/v)*	The PRC	RMB1,000,000	100	100	—	—	—	Inactive

Notes:

i. No audited statutory financial statements were available for the years ended 31 December 2016, 2017 and 2018 as these entities were incorporated after 31 December 2018.

ii. No audited statutory financial statements were available for the years ended 31 December 2016 and 2017 as these entities were incorporated/established during the year ended 31 December 2018. No audited statutory financial statements for the year ended 31 December 2018 were available as there was no requirement to issue audited accounts by the local authorities.

iii. The statutory financial statements of Beijing Ruicheng were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the PRC Financial Reporting Standards. These financial statements for the years ended 31 December 2016 and 2017 were audited by Zhongzhun Certified Public Accountants, LLP. No audited statutory financial statements for the year ended 31 December 2018 were available as there was no requirement to issue audited accounts by the local authorities.

iv. No audited statutory financial statements were available for the year ended 31 December 2016, 2017 and 2018 as there was no requirement to issue audited accounts by the local authorities.

v. The entities were disposed during the year ended 31 December 2018, details of which are set out in Note 32.

vi. The entity was deregistered on 15 February 2019.

None of the subsidiaries had any debt securities subsisting at 31 December 2016, 2017, 2018 and 30 April 2019 or at any time during the Track Record Period.

39. EVENTS AFTER THE REPORTING PERIOD

Save as elsewhere disclosed in this report, events and transactions took place subsequent to 30 April 2019 are detailed as below.

On 22 October 2019, written resolutions of the shareholder of the Company were passed to approve the matters set out in the section headed "— A. Further Information About Our Company — 3. Resolutions of our Shareholders passed on 22 October 2019" in Appendix IV to this Prospectus. Pursuant to the written resolutions and subject to the conditions set out therein, amount due to Ms. Wang in an aggregate sum of RMB1,777,000 shall be capitalisation and settled in full by the issuance of one new share (the "Loan Capitalisation"). The Directors were also authorised to allot and issue a total of 291,839,199 shares credited as fully paid at par to the shareholders in proportion to their respective shareholdings by way of capitalisation of the sum of HKD2,918,391.99 standing to the credit of the share premium account of the Company (the "Capitalization Issue"). The shares to be allotted and issued pursuant to the Loan Capitalisation and the Capitalisation Issue shall rank pari passu in all respects with the existing issued shares.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Track Record Period.

The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus, and is included herein for information 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 out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with paragraph 4.29(1) of the Listing Rules is set out below to illustrate the effect of the Global Offering (as defined in this prospectus) on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 30 April 2019.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 30 April 2019 or any future date following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2019 as derived from the Accountants' Report, the text of which is set out in Appendix I to this document, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2019	**Estimated net proceeds from Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2019**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2019 per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$1.25 per Offer Share	93,119	80,970	174,089	0.44	0.48
Based on an Offer Price of HK$1.75 per Offer Share	93,119	121,113	214,232	0.54	0.59

Notes:

1. The amount is calculated based on the consolidated net assets of the Group attributable to owners of the Company as at 30 April 2019 amounting to approximately RMB93,161,000, with adjustments for intangible assets as at 30 April 2019 of RMB42,000 extracted from the Accountants' Report of the Group set out in Appendix I to this document.

2. The estimated net proceeds from the Global Offering are based on 100,000,000 new shares to be issued at the Offer Price of HK$1.25 and HK$1.75 per new share, respectively, after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by us, other than those expenses which had been recognised in profits or loss prior to 30 April 2019. The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in the Prospectus. The estimated net proceeds from the Global Offering are converted from Hong Kong Dollars into Renminbi at an exchange rate of HK$1 to RMB0.9014, which was the People's Bank of China rate prevailing on 21 October 2019. No representation is made that Hong Kong Dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

3. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share is based on 400,000,000 shares immediately following completion of Global Offering and the Capitalisation Issue. It does not take into account any share which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this Prospectus.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted to Hong Kong dollars at the rate of HK$1 to RMB0.9014. No representation is made that the Renminbi have been, would have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

5. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 April 2019, in particular, the unaudited pro forma adjusted consolidated net tangible assets has not been adjusted for the effect of the capitalisation of loan of which a loan in the sum of RMB1,777,000 advanced from Ms. Wang, shall be capitalised by the issue of one Share (the "Loan Capitalisation"). Had the Loan Capitalisation been taken into account by adjusting RMB1,777,000 to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company, the unaudited pro forma adjusted consolidated net tangible assets per Share would be HK$0.49 and HK$0.60 based on the Offer Price of HK$1.25 per Share and HK$1.75 per Share respectively which is arrived at on the basis of a total of 400,000,000 Shares.

B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Ruicheng (China) Media Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ruicheng (China) Media Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 April 2019 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 October 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed initial listing of shares of the Company (the "Global Offering") on the Group's financial position as at 30 April 2019 as if the Global Offering had taken place at 30 April 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 December 2018 and the four months ended 30 April 2019, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" 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, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in 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 the event or transaction at 30 April 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the

Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited 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 unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 October 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 January 2019 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 October 2019. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at any general meeting convened and held in accordance with the Articles of the Company, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 15 January 2019 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities. Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 30 years from 27 March 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 January 2019. The principal place of business of our Company in Hong Kong is at 40/F, Sunlight Tower, 248 Queen's Road East, Wan Chai, Hong Kong. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 20 May 2019. Mr. Lei Kin Keong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of the constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Change in the share capital of our Company

As at the date of incorporation, our Company has an authorised share capital of HK$380,000 divided into 38,000,000 Shares with a par value of HK$0.01 each. On the same date, 1 subscriber Share was allotted and issued to the initial subscriber (who is an Independent Third Party).

On 25 January 2019, 402,099, 69,875, 54,450, 4,398,800, 1,000,000, 715,000, 686,775, 273,000 and 480,000 Shares were allotted and issued to each of Jing Gen, Haohuan, Henghe, Yingheng, Jujia, Ruichengtianhe, Youyi, Chengyunruicheng and Ruichengdemao respectively. On the same day, the aforementioned subscriber share was transferred to Jing Gen by the initial subscriber.

On 23 April 2019, 80,800 Shares were allotted and issued to Hengrui.

On 22 October 2019, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$20,000,000 divided into 2,000,000,000 Shares by creation of an additional of 1,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects.

Immediately following completion of the Global Offering, Loan Capitalisation and the Capitalisation Issue, and taking no account any Share which may be issued pursuant to the exercise of the option which may be granted under the Share Option Scheme, 400,000,000 Shares will be issued fully paid or credited as fully paid.

3. Resolutions of our Shareholders passed on 22 October 2019

On 22 October 2019, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

(a) our Company conditionally approved and adopted the Memorandum and the Articles with effect upon the Listing, the terms of which are summarised in Appendix III to this prospectus;

(b) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of a par value of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 Shares of a par value of HK$0.01 each by the creation of an additional of 1,962,000,000 Shares of a par value of HK$0.01 each with effect from the date of these resolutions, each ranking *pari passu* with the Shares then in issue in all respects;

(c) the Loan Capitalisation and the transactions contemplated thereunder were approved and our Directors were authorised to implement the Loan Capitalisation;

(d) conditional on all the conditions set out in the section headed "Structure and Conditions of the Global Offering — Conditions of the Global Offering" in this prospectus being fulfilled or waived on or before such dates and times:

  (i) the Global Offering and the grant of the Over-allotment Option were approved and our Directors were authorised to allot and issue new Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

  (ii) the Listing was approved and our Directors, or a committee of Directors duly authorised by our Directors or the authorised signatory, were authorised to implement the Listing;

  (iii) the rules of the Share Option Scheme (the principal terms of which are set forth in the paragraph headed "D. Share Option Scheme" in this section) were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the Shares under the Share Option Scheme up to the limits as referred to in the Share Option Scheme and to allot, issue and deal with the Shares under the exercise of any option which may be granted;

(iv) conditional on the share premium account of our Company being credited as a result of the issue of new Shares under the Global Offering, our Directors were authorised to capitalise HK$2,918,391.99, standing to the credit of the share premium account of our Company by applying that sum in paying up in full 291,839,199 Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on the date of this resolution (or as they may direct) in proportion (as nearly as possible without involving factions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholding in our Company and so that the Shares be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors were authorised to give effect to such capitalisation;

(v) subject to the lock-up undertaking given by our Company pursuant to Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to our Directors pursuant to the Articles to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by our Directors other than pursuant to (i) a rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares in accordance with the Memorandum and the Articles, or pursuant to the exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, or pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, or under the Loan Capitalisation, the Capitalisation Issue or the Global Offering, or (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:

(a) 20% of the total number of Shares in issue immediately following the completion of the Loan Capitalisation, Capitalisation Issue and the Global Offering (excluding any Shares which may issued under the Over-allotment Option and any options that may be granted under the Share Option Scheme); and

(b) the total number of Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate (as defined below),

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the end of the period within which our Company is required by the Articles or any applicable laws to hold its next annual general meeting and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting (the "**Relevant Period**");

(vi) a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors to exercise all the powers of our Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Loan Capitalisation, Capitalisation Issue and the Global Offering (excluding any Shares which may be issued under the Over-allotment Option and any options that may be granted under the Share Option Scheme) in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the end of the period within which our Company is required by the Articles or any applicable laws to hold its next annual general meeting and (iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting; and

(vii) the extension of the general mandate to allot, issue and deal with Shares pursuant to sub-paragraph (v) above by the addition of such Shares repurchased by our Company (if any) pursuant to sub-paragraph (vi) above.

4. Corporate Reorganisation and Pre-IPO Investments

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. For further details, please see the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

5. Changes in share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save for the alterations mentioned in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there has been no other alteration in the share capital of our subsidiaries within the two years immediately preceding the issue of this prospectus.

6. Repurchase of our Shares by our Company

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by our Company.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on 22 October 2019, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. Our Company may not repurchase its own Shares on Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5.0% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase, the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman Companies Law.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core connected parties

The Listing Rules prohibit a company from knowingly repurchasing the Shares on Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to the company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles of Association and subject to Cayman Companies Law, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase 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. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No core connected person has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so in the event that our Company is authorised to make purchases of Shares.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a transfer agreement (轉讓協議) dated 26 November 2018 between Beijing Ruicheng and Ruicheng Hexin, pursuant to which, the equity interest of RMB1 million in Beijing Ruicheng Jiaye was transferred from Beijing Ruicheng to Ruicheng Hexin;

(b) a capital injection agreement (增資協議) dated 28 November 2018 among Ms. Wang, Ms. Li, Wang Zeli (王澤麗), Feng Xing (馮興), Lin Zi (林姿), Si Haiyan (司海燕), Zhang Yu (張宇), Zhang Xiaoliang (張曉亮), Su Ying (蘇穎), Shan Zhan (單戰), Zhong Wei (鍾偉), Liu Ying (劉瑩), Zhao Shansheng (趙善升), Li Oubo (李歐波), Xiao Weiwei (肖巍巍), Gao Bin (高斌), Xie Yong (謝勇), Sun Xin (孫鑫), Wang Zhiyuan (王志遠), Leng Xuejun (冷學軍), Wan Zhen (萬珍), Feng Wei (馮偉), Li Zhipeng (李志鵬), Wang Pingpin (王平頻), Tong Jingkun (佟靖坤), Liu Chujun (劉儲郡), Wang Xin (王欣), Wang Yinghui (王穎慧), Yan Bingdong (顏秉東), Wang Futian (王福田), Xu Chen (許晨), Zhao Luhai (趙路海), Tianjin Jiahe, Liu Yang (劉陽) and Beijing Ruicheng, pursuant to which, 0.990% equity interest in Beijing Ruicheng was subscribed for by Liu Yang (劉陽) at an injection amount of RMB984,000;

(c) an equity transfer agreement (股權轉讓協議) dated 13 December 2018 between Beijing Ruicheng and Ruicheng Hexin, pursuant to which, the entire equity interest in Qingdao Chaoqun was transferred from Beijing Ruicheng to Ruicheng Hexin at a consideration of RMB1;

(d) an agreement of demerger (存續分立協議) dated 21 December 2018 between Beijing Ruicheng and Beijing Yuehe, pursuant to which, Beijing Ruicheng was demerged into two companies, namely Beijing Ruicheng and Beijing Yuehe;

(e) an equity transfer agreement (股權轉讓協議) dated 24 December 2018 between Beijing Ruicheng and Ruicheng Hexin, pursuant to which, the entire equity interest in Wuxi Ruicheng was transferred from Beijing Ruicheng to Ruicheng Hexin at nil consideration;

(f) a transfer agreement (轉讓協議) dated 28 December 2018 between Beijing Ruicheng and Ruicheng Hexin, pursuant to which, the equity interest of RMB90,909 in Beijing Qianyantong was transferred from Beijing Ruicheng to Ruicheng Hexin at a consideration of RMB1;

(g) an equity transfer agreement (股權轉讓協議) dated 1 March 2019 among Ms. Wang, Ms. Li, Liu Yang (劉陽), Wang Zeli (王澤麗), Feng Xing (馮興), Lin Zi (林姿), Si Haiyan (司海燕), Zhang Yu (張宇), Zhang Xiaoliang (張曉亮), Su Ying (蘇穎), Shan Zhan (單戰), Zhong Wei (鍾偉), Liu Ying (劉瑩), Zhao Shansheng (趙善升), Li Oubo (李歐波), Xiao Weiwei (肖巍巍), Gao Bin (高斌), Xie Yong (謝勇), Sun Xin (孫鑫), Wang Zhiyuan (王志遠), Leng Xuejun (冷學軍), Wan Zhen (萬珍), Feng Wei (馮偉), Li Zhipeng (李志鵬), Wang Pingpin (王平頻), Tong Jingkun (佟靖坤), Liu Chujun (劉儲郡), Wang Xin (王欣), Wang Yinghui (王穎慧), Yan Bingdong (顏秉東), Wang Futian (王福田), Xu Chen (許晨), Zhao Luhai (趙路海), Zhang Wen (張文), Liu Chang (劉暢), Mr. Soon (together, the "**Then Shareholders of Qingdao Ruicheng Jiaye**") and Ruicheng HK, pursuant to which, the entire equity interest in Qingdao Ruicheng Jiaye was transferred from the Then Shareholders of Qingdao Ruicheng Jiaye to Ruicheng HK at a consideration of RMB2.0 million;

(h) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Ms. Wang, pursuant to which, Ms. Wang transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(i) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Ms. Li, pursuant to which, Ms. Li transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(j) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Wang Pingpin (王平頻), pursuant to which, Wang Pingpin transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(k) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Tianjin Jiahe, pursuant to which, Tianjin Jiahe transferred its equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(l) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Tong Jingkun (佟靖坤), pursuant to which, Tong Jingkun transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(m) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Liu Chujun (劉儲郡), pursuant to which, Liu Chujun transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(n) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Feng Xing (馮興), pursuant to which, Feng Xing transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(o) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Lin Zi (林姿), pursuant to which, Lin Zi transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(p) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Wang Xin (王欣), pursuant to which, Wang Xin transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(q) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Wang Yinghui (王穎慧), pursuant to which, Wang Yinghui transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(r) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Yan Bingdong (顏秉東), pursuant to which, Yan Bingdong transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(s) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Si Haiyan (司海燕), pursuant to which, Si Haiyan transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(t) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Wang Futian (王福田), pursuant to which, Wang Futian transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(u) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Leng Xuejun (冷學軍), pursuant to which, Leng Xuejun transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(v) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Xu Chen (許晨), pursuant to which, Xu Chen transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(w) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Zhao Luhai (趙路海), pursuant to which, Zhao Luhai transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(x) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Zhang Yu (張宇), pursuant to which, Zhang Yu transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(y) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Zhang Xiaoliang (張曉亮), pursuant to which, Zhang Xiaoliang transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(z) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Su Ying (蘇穎), pursuant to which, Su Ying transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(aa) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Shan Zhan (單戰), pursuant to which, Shan Zhan transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(bb) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Zhong Wei (鍾偉), pursuant to which, Zhong Wei transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(cc) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Liu Ying (劉瑩), pursuant to which, Liu Ying transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(dd) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Zhao Shansheng (趙善升), pursuant to which, Zhao Shansheng transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(ee) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Li Oubo (李歐波), pursuant to which, Li Oubo transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(ff) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Xiao Weiwei (肖巍巍), pursuant to which, Xiao Weiwei transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(gg) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Gao Bin (高斌), pursuant to which, Gao Bin transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(hh) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Xie Yong (謝勇), pursuant to which, Xie Yong transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(ii) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Sun Xin (孫鑫), pursuant to which, Sun Xin transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(jj) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Wang Zhiyuan (王志遠), pursuant to which, Wang Zhiyuan transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(kk) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Wan Zhen (萬珍), pursuant to which, Wan Zhen transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(ll) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Feng Wei (馮偉), pursuant to which, Feng Wei transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(mm) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Li Zhipeng (李志鵬), pursuant to which, Li Zhipeng transferred his equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(nn) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Wang Zeli (王澤麗), pursuant to which, Wang Zeli transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(oo) an equity transfer agreement (股權轉讓協議書) dated 19 March 2019 between Qingdao Ruicheng Jiaye and Liu Yang (劉陽), pursuant to which, Liu Yang transferred her equity interest (with reference to net assets) (淨資產折股出資) in Beijing Ruicheng to Qingdao Ruicheng Jiaye;

(pp) an investment agreement (投資協議) dated 21 March 2019 among our Company, Hengrui and Ms. Wang, pursuant to which Hengrui agreed to subscribe for, and Ms. Wang agreed to procure our Company to issue and allot 80,800 Shares to Hengrui at an investment amount of RMB2,000,000;

(qq) a supplemental agreement to transfer agreement (《轉讓協議》補充協議) dated 21 October 2019 between Beijing Ruicheng and Ruicheng Hexin, pursuant to which, the parties agreed to supplement the terms of the transfer agreement as described in paragraph (a) above;

(rr) a supplemental agreement to equity transfer agreement (《股權轉讓協議書》補充協議) dated 21 October 2019 among Qingdao Ruicheng Jiaye, Ms. Wang, Ms. Li, Wang Pingpin (王平頻), Tianjin Jiahe, Tong Jingkun (佟靖坤), Liu Chujun (劉儲郡), Feng Xing (馮興), Lin Zi (林姿), Wang Xin (王欣), Wang Yinghui (王穎慧), Yan Bingdong (顏秉東), Si Haiyan (司海燕), Wang Futian (王福田), Leng Xuejun (冷學軍), Xu Chen (許晨), Zhao Luhai (趙路海), Zhang Yu (張宇), Zhang Xiaoliang (張曉亮), Su Ying (蘇穎), Shan Zhan (單戰), Zhong Wei (鍾偉), Liu Ying (劉瑩), Zhao Shansheng (趙善升), Li Oubo (李歐波), Xiao Weiwei (肖巍巍), Gao Bin (高斌), Xie Yong (謝勇), Sun Xin (孫鑫), Wang Zhiyuan (王志遠), Wan Zhen (萬珍), Feng Wei (馮偉), Li Zhipeng (李志鵬), Wang Zeli (王澤麗) and Liu Yang (劉陽), pursuant to which, the parties agreed to supplement the terms of the equity transfer agreements as described in paragraphs (h) to (oo) (both inclusive) above;

(ss) a share subscription and set-off agreement dated 23 October 2019 among Ms. Wang, Yingheng and our Company, pursuant to which, our Company agreed to issue and allot one Share to Yingheng in consideration of setting-off an advance in the amount of RMB1,777,000 owed by our Company to Ms. Wang;

(tt) the Deed of Indemnity; and

(uu) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademark

As at the Latest Practicable Date, our Group is the owner of the following trademarks, which are material to the business of our Group:

Trademark	Class *(Note)*	Trademark No.	Expiry Date	Place of Registration	Registered Owner
	42	17049148	13 August 2026	PRC	Beijing Ruicheng
瑞诚 RUICHENG	42	17049149	27 October 2026	PRC	Beijing Ruicheng
瑞诚 RUICHENG	41	17049151	27 October 2026	PRC	Beijing Ruicheng
	35	17049152	27 October 2026	PRC	Beijing Ruicheng
	9	17049153	13 August 2026	PRC	Beijing Ruicheng
瑞诚 RUICHENG	35	17072297	27 October 2026	PRC	Beijing Ruicheng
	35	304713732	25 October 2028	HK	Beijing Ruicheng
瑞诚 RUICHENG	35	304713750	25 October 2028	HK	Beijing Ruicheng

As at the Latest Practicable Date, our Group is applying for the following trademarks:

Trademark	Class *(Note)*	Application No.	Date of Application	Place of Registration	Applicant
全能爸妈	9	36956010	20 March 2019	PRC	Beijing Lingyu
全能爸妈	38	36958359	20 March 2019	PRC	Beijing Lingyu
全能爸妈	41	36961980	20 March 2019	PRC	Beijing Lingyu
Almighty Parents	9	36949459	20 March 2019	PRC	Beijing Lingyu
Almighty Parents	35	36951957	20 March 2019	PRC	Beijing Lingyu
Almighty Parents	38	36961958	20 March 2019	PRC	Beijing Lingyu
Almighty Parents	41	36961982	20 March 2019	PRC	Beijing Lingyu

Note: The class number represents the specifications of products or services which have already been registered or are in the process of registration. Detailed specifications of the products and services represented by that class number are set out in the relevant registration certificates or application forms.

(b) Domain Name

As at the Latest Practicable Date, our Group is the owner of the following domain name(s) which are material to the business of our Group:

Registered Owner	Domain Name	Registration Date	Expiry Date
Beijing Ruicheng	reach-ad.cn	4 January 2016	4 January 2020
Beijing Ruicheng	reach-ad.com	4 January 2016	4 January 2020
Shanghai Kailun	kailun-ad.com	19 July 2018	19 July 2021

(c) Software copyrights

As at the Latest Practicable Date, our Group is the owner of the following software copyrights which are material to the business of our Group:

Registered name	Registration No.	Date of first publication	Place of Registration	Registered owner(s)	Rights
Yingmeitong Software (android version) v3.0* (影媒通軟件(android版)V3.0)	2017SR610311	31 May 2017	PRC	Beijing Ruicheng	All rights
Yingmeitong Software (iOS version) v3.0* (影媒通軟件(iOS版)V3.0)	2017SR610315	30 June 2016	PRC	Beijing Ruicheng	All rights
Advertisement System Software v1.0* (廣告系統軟件V1.0)	2017SR517903	31 December 2016	PRC	Beijing Ruicheng	All rights
Advertisement Management System v1.0* (廣告管理系統V1.0)	2017SR517898	31 December 2016	PRC	Beijing Ruicheng	All rights
Advertisement Design Identification System v1.0* (廣告設計識別系統V1.0)	2017SR517204	31 July 2016	PRC	Beijing Ruicheng	All rights
Advertisement System Data Statistical and Analytical Software v1.0* (廣告系統數據統計分析軟件V1.0)	2017SR517199	21 July 2016	PRC	Beijing Ruicheng	All rights
Yingmeitong Software (android version) v2.1* (影媒通軟件(android版)V2.1)	2019SR0120570	16 February 2017	PRC	Beijing Ruicheng	All rights
Yingmeitong Software (iOS version) v2.4* (影媒通軟件(iOS版)V2.4)	2019SR0120571	24 March 2016	PRC	Beijing Ruicheng	All rights

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of Interests

(a) Interests of Directors and chief executive in shares, underlying shares and debentures of the Company and its associated corporations

So far as our Directors are aware, immediately following the completion of the Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), the interests and short positions of the Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, 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 any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interest in the Shares

Name of Director	Capacity/nature of interest	Number of Shares held(1)	Approximate percentage of shareholding(2)
Ms. Li(3)	Interest in a controlled corporation	36,761,102	9.19%
Mr. Feng Xing(4)	Interest in a controlled corporation	17,645,329	4.41%
Ms. Wang Xin(5)	Interest in a controlled corporation	25,246,606	6.31%
Mr. Leng Xuejun(6)	Interest in a controlled corporation	14,781,639	3.70%

Notes:

(1) All interest stated are long positions.

(2) The calculation is based on the total number of 400,000,000 Shares in issue immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

(3) Ms. Li is interested in the entire issued share capital of Jujia which holds 9.19% of the shareholding in the Company. She is therefore deemed to be interested in the Shares held by Jujia by virtue of the SFO.

(4) Mr. Feng Xing is interested in approximately 83.33% of the issued share capital of Ruichengdemao which holds 4.41% of the shareholding in the Company. He is therefore deemed to be interested in the Shares held by Ruichengdemao by virtue of the SFO.

(5) Ms. Wang Xin is interested in 53.38% of Youyi which holds 6.31% of the shareholding in our Company. Ms. Wang Xin is therefore deemed to be interested in the Shares held by Youyi by virtue of the SFO.

(6) Mr. Leng Xuejun is interested in 52.43% of Jing Gen which holds 3.70% of the shareholding in our Company. Mr. Leng Xuejun is therefore deemed to be interested in the Shares held by Jing Gen by virtue of the SFO.

Interest in the shares of associated corporations

Name of Director	**Name of associated corporation**	**Capacity/nature of interest**	**Amount of registered capital held** *(RMB)*	**Approximate percentage of shareholding**
Mr. Feng Xing	Beijing Lingyu	Beneficial interest	70,000 (Long position)	7%

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Global Offering, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please refer to the section headed "Substantial Shareholders" in this prospectus.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

2. Particulars of Directors' service agreements and appointment letters

Each of our executive Directors has entered into a service contract with our Company on 22 October 2019. The principal particulars of these service contracts are (i) for a term of three years commencing from their respective effective date of appointment until the day on which the next general meeting of the shareholders for re-election of Directors is held, and (ii) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Each of our Independent Non-executive Directors has entered into a letter of appointment with our Company for a fixed term of three years commencing from the Listing Date, which may be terminated in accordance with the terms of the individual letter of appointment. Save for the director's fee, none of our Independent Non-executive Directors is expected to receive any other remuneration for holding his office as an Independent Non-executive Director.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with us (excluding contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

3. Remuneration of Directors

(a) The aggregate remuneration paid by our Group to our Directors in respect of the three years ended 31 December 2018 and the four months ended 30 April 2019 were approximately RMB1.0 million, RMB1.4 million, RMB2.2 million and RMB0.8 million, respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2019 will be approximately HK$2.0 million.

4. Agency fees or commissions received

Save as disclosed in the section headed "Underwriting — Underwriting Arrangements and Expenses — Total commission, fee and expenses" in this prospectus, none of our Directors or the experts named in the paragraph headed "E. Other Information — 7. Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 37 to the Accountants' Report of our Group set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus and as at the Latest Practicable Date:

(a) our Directors are not aware of any other person (not being a Director or the chief executive of our Company) who will, immediately following the completion of the Loan Capitalisation, the Capitalisation Issue and the Global Offering, have interests and/or short positions in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the issued voting shares of any members of our Group;

(b) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company, our subsidiary or any of the associated corporation (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/she is 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 therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties listed in the paragraph headed "E. Other Information — 7. Consents of experts" in this appendix was interested, directly or indirectly, in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any member of our Group, or were proposed to be acquired or disposed of by or leased to our Company or any member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

(d) none of our Directors nor any of the parties listed in the paragraph headed "E. Other Information — 7. Consents of experts" in this appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant to the business of our Group taken as a whole;

(e) save in connection with the Underwriting Agreements, none of the experts referred to in the paragraph headed "E. Other Information — 7. Consents of experts" in this appendix:

(i) is interested legally or beneficially in any securities of 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

(ii) none of our Directors or their respective close associates nor, to the knowledge of our Directors, any Shareholders who held more than 5% of the total Shares as at the Latest Practicable Date had any interest in the five largest customers or the five largest suppliers of our Company;

(f) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. 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 22 October 2019. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have 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) motivating the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships 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 subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons ("**Eligible Participants**"):

(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;

(iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:

(aa) contribution to the development and performance of our Group;

(bb) quality of work performed for our Group;

(cc) initiative and commitment in performing his duties; and

(dd) length of service or contribution to our Group.

(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 acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer for grant of 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) below, 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 for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the independent financial adviser as the case may be pursuant to paragraph (r) below, our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee share certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of shares

The maximum number of Shares which may be issued upon exercise of all option to be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been 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 on the Listing Date (but taking no account of any Shares which may be issued under the exercise of the Over-allotment Option), being 40,000,000 Shares (the "**Scheme Limit**"), 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 the Shares in issue (the "**New Scheme Limit**") as at the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the Scheme 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, the 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 the Shares in issue from time to time (the "**Maximum Limit**"). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum 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 capitalisation issue, rights issue, consolidation, sub-division of shares 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 exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at 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 Rule 17.02(2)(d) and the disclaimer required under Rule 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 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 the 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 other things:

(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) above;

(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 the Shares on and in consequence of the exercise of the option;

(gg) the date of the notice given by the grantee in respect of the exercise of the option; and

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c) above.

(f) Price of shares

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 will not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet 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 closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(g) Granting options to connected persons

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 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, cancelled and outstanding) such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the 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 closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange at the date of each grant,

such further grant of options will be subject to the approval of our Independent Non-executive Directors as referred to in this paragraph, 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 associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, 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 the 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 our 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 may not be made after inside information has come to our Company's knowledge until such information has been announced pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or any other interim period (whether or not required under the Listing Rules);

and ending on the date of actual publication of the results announcement.

(i) Rights are personal to grantee

An option is personal to the grantee. No grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour 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 the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing by a grantee 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 ten years from that date. The minimum period for which an option must be held before it can be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten 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 by the Shareholders of our Company (the "**Adoption Date**"). 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 Adoption Date.

(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/death

If the grantee, who is an employee of our Group at the time of the grant of an option, ceases to be an employee of our Group:

(i) by any reason other than death, ill-health, injury, disability or termination of his/her relationship with our Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) in whole or in part within a period of one month (or such longer period as the Board may determine) 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 (or such longer period as our Company may determine); or

(ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under paragraph (m) below has occurred, the grantee or, as appropriate, his personal representative(s) may exercise the option in full (to the extent not already exercised) within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death.

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant by reason of his/her resignation from the employment of our Group or termination of his/her employment or contract on the grounds that he/she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his/her debts or has become insolvent or has made any arrangements or has compromised with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or has been in breach of contract, his/her option will lapse and not be exercisable after the date of termination of his/her employment. A resolution of the Board 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.

(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 Code)) 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 that 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 legal personal representative(s)) shall be entitled to exercise all or any of his 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 the 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.

(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 the jurisdiction 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 no 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 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 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 rank *pari passu* and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as at attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(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 capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options 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 opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. 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 the 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 equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if 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 shall 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) and (n) above;

(iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) above becomes effective;

(iv) subject to paragraph (o) above, the date of commencement of the winding-up of our Company;

(v) the date upon which the grantee ceases to be an Eligible Participant by reason as referred to in paragraph (m) above; or

(vi) the date upon 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 cancelled 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 and any adjustment to be made to the exercise price of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules, the supplemental guidance of 5 September 2005 and any future guidance or interpretation of the Listing Rules from time to time 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 the 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 that any option is cancelled pursuant to paragraph (i) above.

(v) Termination of the share option scheme

Our Company may by resolution in general meeting or the Board may 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) Conditions of the share option scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee granting the listing of and permission to deal in, on the Main Board of the Stock Exchange, 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) by the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 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.

As at 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 for the listing of, and to deal in, the Shares which may fall to be issued pursuant to the exercise of the options be granted under the Share Option Scheme, being 40,000,000 Shares in total.

E. OTHER INFORMATION

1. Tax and other indemnities

On 22 October 2019, our Controlling Shareholders (the "**Indemnifiers**") entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for each of its subsidiaries stated therein), to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date;

(b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation; and

(c) all claims, payments, suits, damages, settlements, sums, outgoings, fees, losses and any associated costs and expenses which would be incurred or suffered directly or indirectly, from or on the basis of or in connection with the legal proceedings of any member of the Group which has occurred at any time on or before the Listing Date and non-compliance matters by any member of our Group as described in the section headed "Business — Legal and Regulatory Compliance" in this prospectus or in connection with any other non-compliance of any member of our Group which has occurred at any time on or before the Listing Date.

Each Indemnifier is under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 April 2019; or

(b) to the extent that such taxation or liability falling on any members of our Group in respect of any accounting period commencing on or after 1 May 2019 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; and

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus; or

(c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 April 2019 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of such taxation shall not be available in respect of any such liability arising thereafter.

2. Litigation

Our Directors confirmed that as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies that the independence criteria as set out in Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately US$3,600 and are payable by our Company.

We agreed to pay the Sole Sponsor a fee of HK$5.9 million, which relates solely to services provided by the Sole Sponsor in the capacity of sponsor.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinions or advice which are contained in this prospectus:

Name	Qualification
Dongxing Securities (Hong Kong) Company Limited	A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Jingtian & Gongcheng	Legal advisers as to PRC law
Walkers (Hong Kong)	Legal advisers as to Cayman Islands law
China Insights Industry Consultancy Limited	Industry Consultant

7. Consents of experts

Each of the experts stated in the paragraph headed "E. Other Information — 6. Qualifications of experts" in this appendix has given and has not withdrawn its written consents to the issue of this prospectus, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, 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. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Walkers Corporate Limited and a branch register of members of our Company will be maintained by Computershare Hong Kong Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

10. No material adverse change

Save for the Listing expenses in connection with the Global Offering, our Directors confirm that there had been no material adverse change in our financial or trading position since 30 April 2019, being the date of our latest audited consolidated financial statements were made up, and up to the date of this prospectus.

11. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

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.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Global Offering accepts 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.

12. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this prospectus:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) no share or loan capital or debenture of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the paragraph headed "B. Further Information about the Business — 1. Summary of material contracts" in this appendix, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) 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 within the two years immediately preceding the date of this prospectus.

(e) No equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.

(f) Our Company has no outstanding convertible debt securities or debentures.

(g) There is no arrangement under which future dividends are waived or agreed to be waived.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (b) the written consents referred to in the section headed "E. Other Information — 7. Consents of experts" in Appendix IV to this prospectus; and (c) a copy of each of the material contracts referred to in the section headed "B. Further Information about the Business — 1. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of King & Wood Mallesons at 13th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, 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 and the Articles;

(b) the Accountants' Report of our Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for the three years ended 31 December 2018 and the four months ended 30 April 2019;

(d) the report on unaudited pro forma financial information from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

(e) the material contracts referred to in the section headed "B. Further Information about the Business — 1. Summary of material contracts" in Appendix IV to this prospectus;

(f) the service agreements and appointment letters referred to in the section headed "C. Further Information about Substantial Shareholders, Directors and Experts — 2. Particulars of Directors' service agreements and appointment letters" in Appendix IV to this prospectus;

(g) the rules of the Share Option Scheme;

(h) the written consents referred to in the section headed "E. Other Information — 7. Consents of experts" in Appendix IV to this prospectus;

(i) the PRC legal opinions prepared by Jingtian & Gongcheng, our legal advisers to the PRC law, in respect of certain aspects of our Group and our property interests;

(j) the industry report issued by China Insights Industry Consultancy Limited as referred to in the section headed "Industry Overview" in this prospectus;

(k) the Companies Law; and

(l) the letter of advice prepared by Walkers (Hong Kong) summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus.

Ruicheng (China) Media Group Limited
瑞誠 (中國) 傳媒集團有限公司