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OVERVIEW

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

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

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

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

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

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

Our media content licensors

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

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Cashflow requirement for the minimum guarantee payment

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

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

Our brand licensors

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

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

Our customers

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

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

OUR COMPETITIVE STRENGTHS

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

We have strong standing relationships with media content licensors

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

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

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

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

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

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

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

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

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

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

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

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

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OUR BUSINESS STRATEGIES

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

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

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

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

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

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

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

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

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Expand our Brand Licensing Business by increasing our brand offerings

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

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

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

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

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

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

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

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

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

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

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

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

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

See “Future plans and [REDACTED]” in this document for further details of our expansion plans for our office and workforce.

OUR BUSINESS MODEL

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

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

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

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

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

Notes:

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

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

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

Notes:

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

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

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Our role in the value chain

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

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

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

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

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

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

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

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

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

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

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

Our Media Content Distribution Business

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

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

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

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

Content distribution arrangements between the media content licensors and our Group

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

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

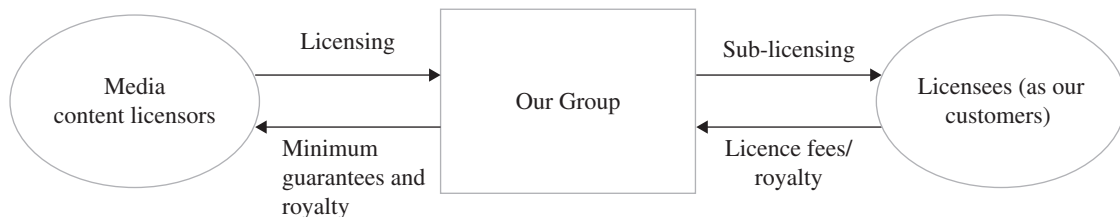
Content sub-licensing arrangements between our Group and our customers

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

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

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



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

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

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

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

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

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Operation flow of our Media Content Distribution Business

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

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

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

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

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

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

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

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

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

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

(iv) Localisation and quality assurance

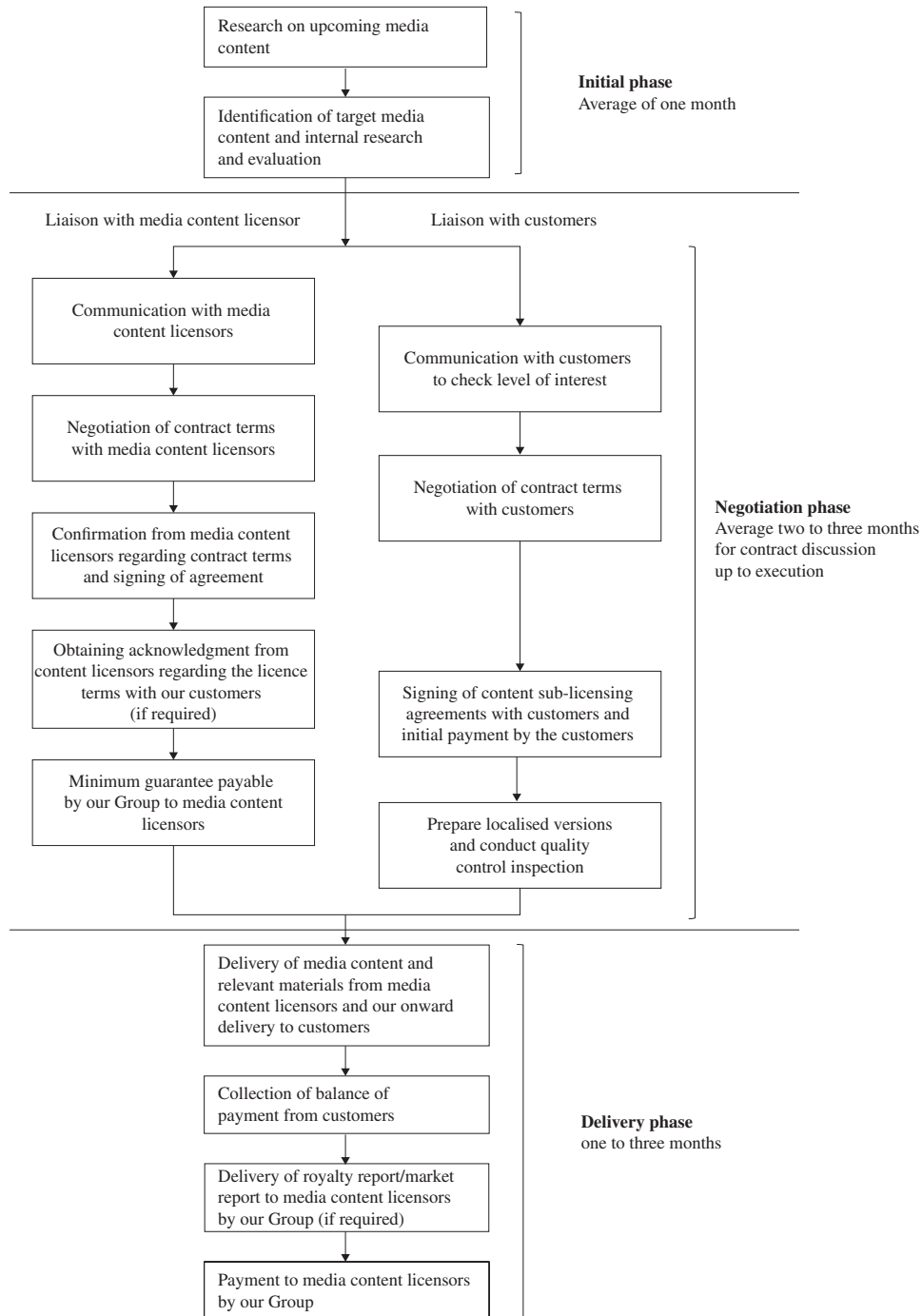
Most of the media content we held licence are originated from Japan. When we licence such media content to customers in other countries or regions such as the PRC, Hong Kong, Taiwan, Thailand or the Philippines, we may need to localise the media content to fit into the preference and demographics of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

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

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

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Operation flowchart of our Media Content Distribution Business



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Salient terms of our content distribution agreements with our licensors

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

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

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



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

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



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Selection of our media content

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

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

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

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

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

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

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



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

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

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

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

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

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

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	For the year ended 31 March			For the seven months ended 31 October 2018	From 1 November 2018 to the Latest Practicable Date
	2016	2017	2018	2018	
Number of titles of media content expired	108	139	127	37	28
Number of renewed titles of media content	2	2	11	10	5
Number of new titles of media content sourced	77	70	74	73	47

Our Brand Licensing Business

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

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

Our Group as the brand licensee

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

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

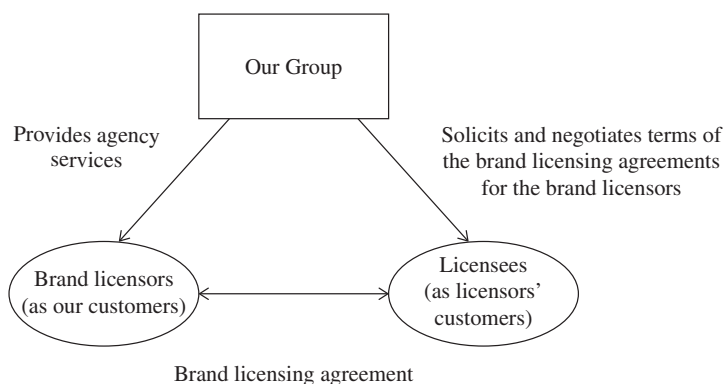


Our brand licensing agreements with the brand licensors may set out whether we are required to pay a minimum guarantee, if any. We may be required to pay our brand licensors a minimum guarantee upon signing of the agreements or by instalments at the early stage of the relevant licensing periods. Such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

Our Group as an agent for the brand licensors

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

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



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

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

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



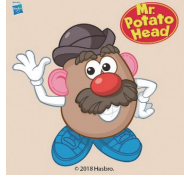
Note: We exploited the merchandising rights obtained from our licensors by engaging suppliers to design and produce merchandise for our own sale in certain exhibitions/promotional events.

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




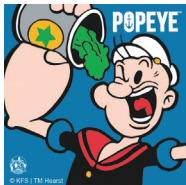

During the Track Record Period and as at the Latest Practicable Date, we were involved in the licensing of brands for certain rights and certain territories as specified in the relevant agreements, including the following brands:

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



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

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

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

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

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

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

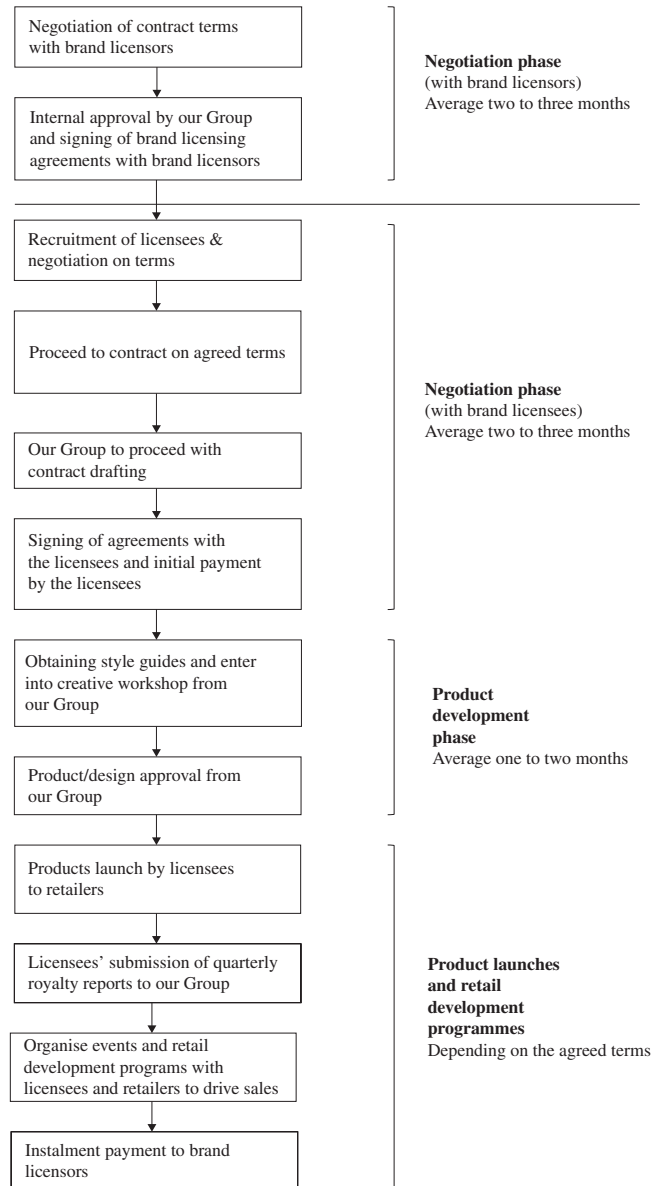
	For the year ended 31 March			For the seven months ended 31 October 2018	From 1 November 2018 up to the Latest Practicable Date
	2016	2017	2018	2018	
Number of brands expired	10	18	14	13	13
Number of renewed brands rights	1	2	0	0	6
Number of new brands sourced	7	18	9	49	12

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

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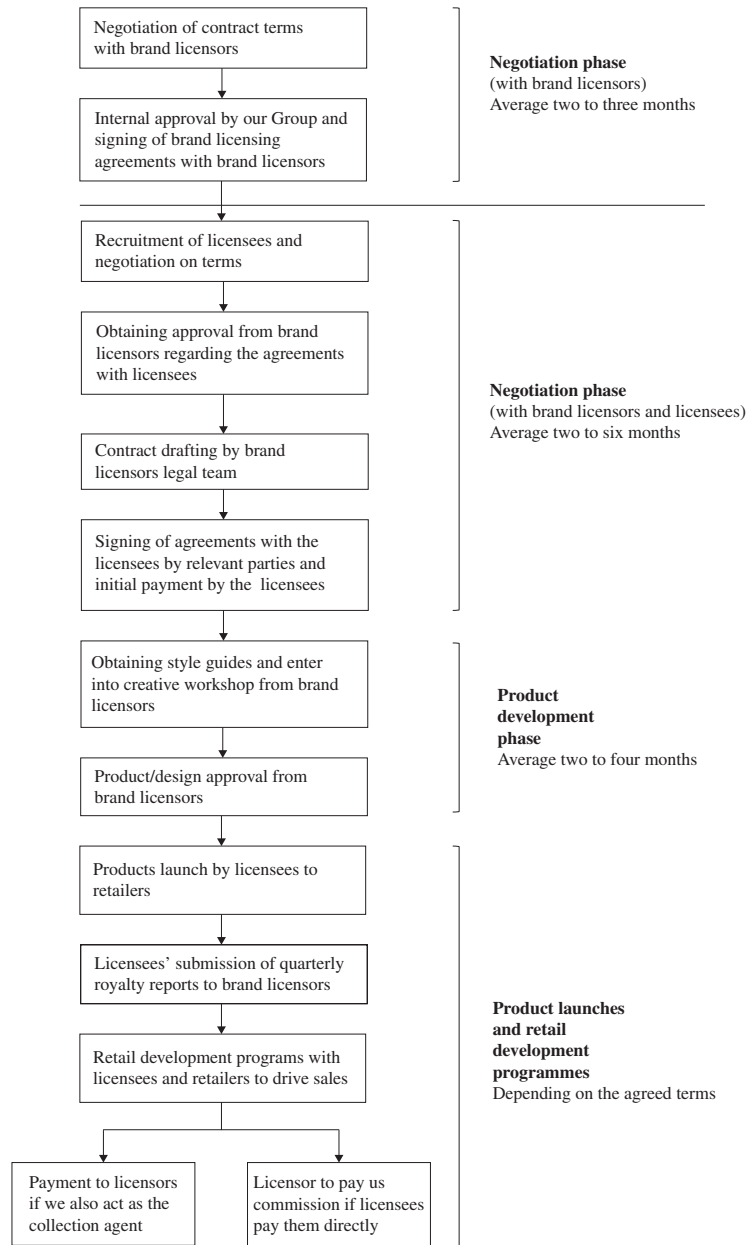
Operation flow for our Brand Licensing Business

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



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



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Our Group as the brand licensee

Salient terms of our brand licensing agreements with our brand licensors

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

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

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

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

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

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Our Group as the agent for the brand licensors

Salient terms of our brand agency agreements with our brand licensors

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

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

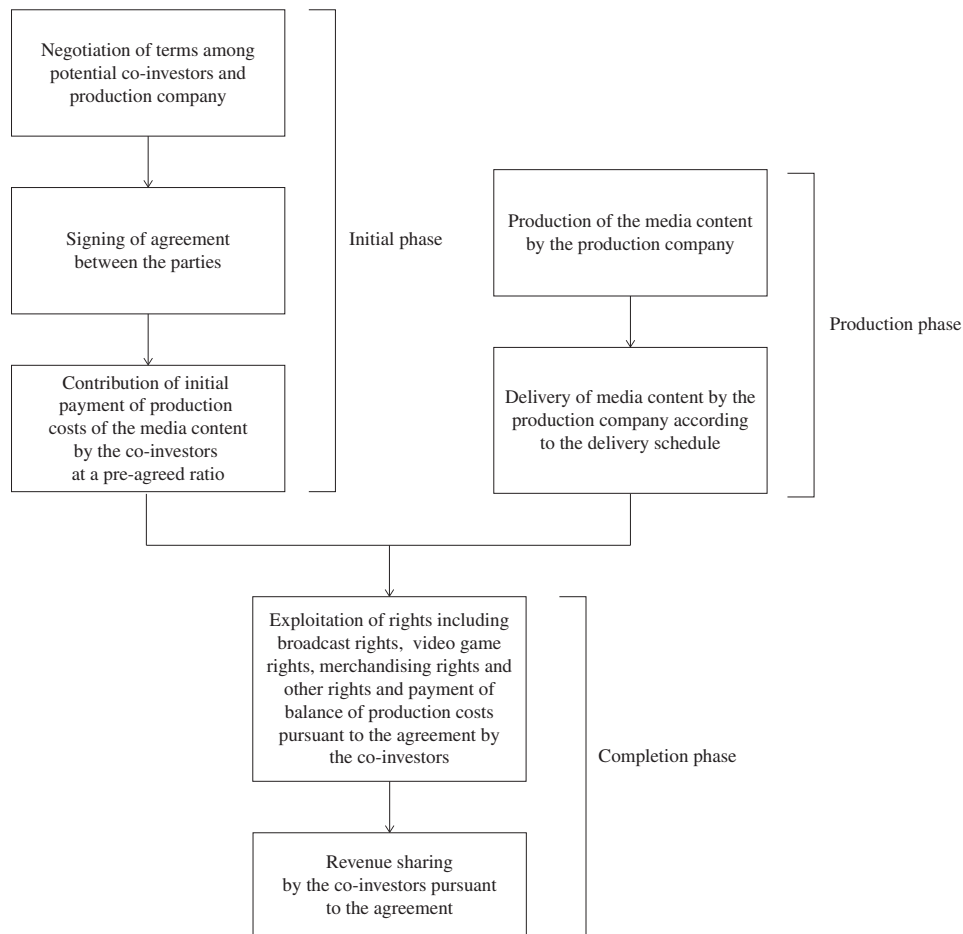
Our brand licensors will enter into contractual relationships with the licensees directly, we may or may not be a party to this contractual relationships.

Our investments

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

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Operation flow of investment in production of media content



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

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

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

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

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

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

(iii) Production of the media content

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

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

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

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

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

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

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

SALES AND MARKETING

Marketing and promotion

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

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

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

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

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

** For Identification Purpose Only*

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

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

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

** For identification purpose only*

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

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

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

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Pricing policy

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

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

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

Seasonality

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

OUR SUPPLIERS

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

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

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

For the year ended 31 March 2016

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

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

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For the year ended 31 March 2017

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

BUSINESS

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

BUSINESS

For the year ended 31 March 2018

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

BUSINESS

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

BUSINESS

For the seven months ended 31 October 2018

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

BUSINESS

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

BUSINESS

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

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

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

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

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

BUSINESS

	For the year ended 31 March			For the seven months ended 31 October
	2016	2017	2018	2018
Our total purchase from the Seven Content/Brand Suppliers (HK\$ million)	46.4	35.7	72.2	57.6
Purchase from the Seven Content/Brand Suppliers				
– Such purchase from the Seven Content/Brand Suppliers as a percentage of our total purchase during the relevant year/period (%)	45.1	21.8	42.0	26.4
Gross profit generated from the Seven Content/Brand Suppliers (HK\$’million)	1.3	1.7	1.9	1.1

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

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

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

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

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

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

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

OUR CUSTOMERS

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

BUSINESS

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

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

For the year ended 31 March 2016

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

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For the year ended 31 March 2017

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

BUSINESS

For the year ended 31 March 2018

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

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For the seven months ended 31 October 2018

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

BUSINESS

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

Notes:

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

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AWARDS AND ACCREDITATIONS

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

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

* For identification purpose only

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

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

* For identification purpose only

COMPETITIVE LANDSCAPE

Japanese animation content distribution market

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

IP licensing market

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

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EMPLOYEES

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

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

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

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

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

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

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

INSURANCE

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

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

HEALTH, SAFETY AND OCCUPATIONAL HEALTH AND SAFETY

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

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

ENVIRONMENTAL MATTERS

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

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PROPERTIES

Properties that we owned

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

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

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

Leased office properties


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

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

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

INTELLECTUAL PROPERTY

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

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

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

LICENCES, PERMITS AND APPROVALS

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

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

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LEGAL AND COMPLIANCE

Legal proceedings

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

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

Non-compliance incidents

Particulars of the non-compliance

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

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Reasons for the non-compliance

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

Legal consequences

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

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

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

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Operational and financial impact

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

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

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

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

Enhanced internal control measures

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

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

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

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

Indemnity given by our Controlling Shareholders

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

Views of our Directors and the Sole Sponsor

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

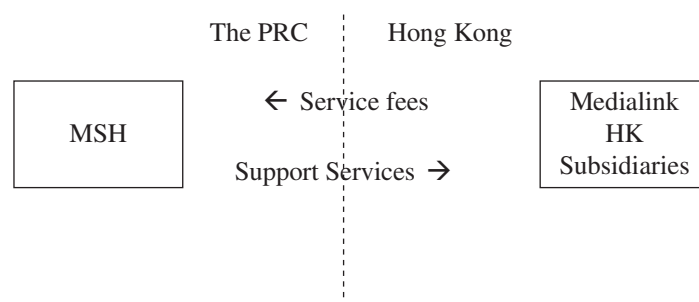
- (1) establishing internal control system manuals on corporate governance, operations, management, legal matters, finance, auditing and tax reporting setting out the internal approval and review procedures pursuant to which our employees at different departments shall comply with;
- (2) supervision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

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

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TRANSFER PRICING ARRANGEMENT

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



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

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

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

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

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

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

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

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