

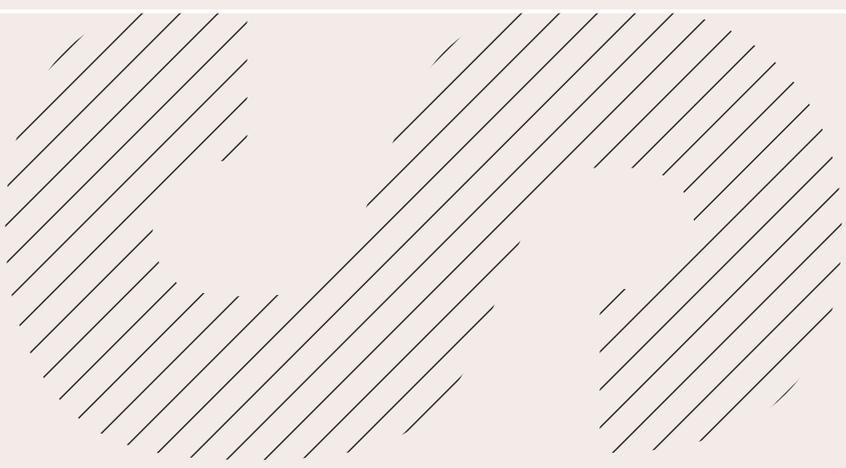
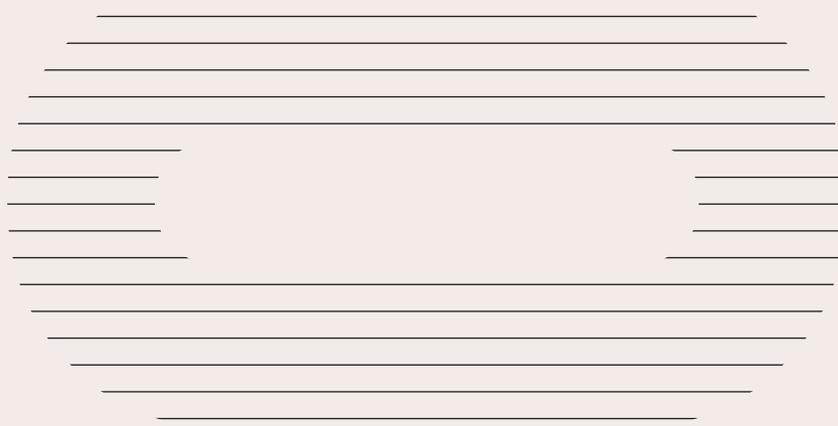
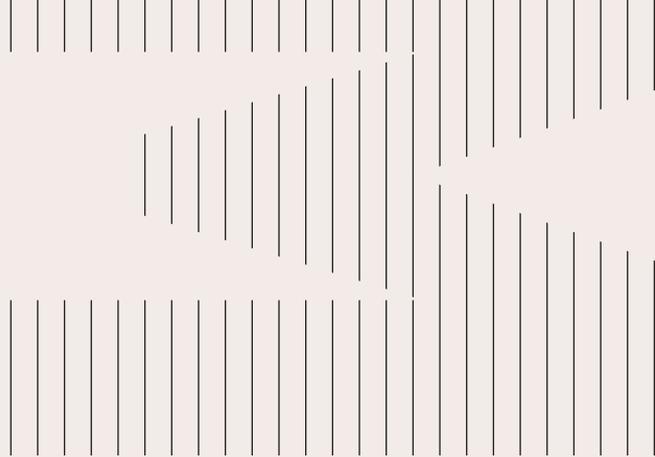


**Most Kwai Chung Limited**

**毛記葵涌有限公司**

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 1716**



# SHARE OFFER

Sole Sponsor

Sole Bookrunner and  
Sole Lead Manager



長雄證券有限公司  
EVER-LONG SECURITIES COMPANY LIMITED



長雄證券有限公司  
EVER-LONG SECURITIES COMPANY LIMITED



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# IMPORTANT

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



## Most Kwai Chung Limited 毛記葵涌有限公司

*(Incorporated in the Cayman Islands with limited liability)*

### SHARE OFFER

<b>Number of Offer Shares</b>	<b>: 67,500,000 Shares</b>
<b>Number of Public Offer Shares</b>	<b>: 6,750,000 Shares (subject to reallocation)</b>
<b>Number of Placing Shares</b>	<b>: 60,750,000 Shares (subject to reallocation)</b>
<b>Offer Price</b>	<b>: Not more than HK\$1.2 per Offer Share and not less than HK\$1.0 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application in Hong Kong dollars and subject to refund)</b>
<b>Nominal value</b>	<b>: HK\$0.01 per Share</b>
<b>Stock code</b>	<b>: 1716</b>

### Sole Sponsor



長雄證券有限公司  
EVER-LONG SECURITIES COMPANY LIMITED

### Sole Bookrunner and Sole Lead Manager



長雄證券有限公司  
EVER-LONG SECURITIES COMPANY LIMITED

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

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

The Offer Price is expected to be determined by agreement between our Company and the Sole Lead Manager (acting for itself and on behalf of the Underwriters) on or about the Price Determination Date or such later date as may be agreed by our Company and the Sole Lead Manager (acting for itself and on behalf of the Underwriters) but in any event no later than Tuesday, 27 March 2018. The Offer Price will be not more than HK\$1.2 per Offer Share and is expected to be not less than HK\$1.0 per Offer Share, unless otherwise announced. Investors applying for Offer Shares must pay, on application, the maximum Offer Price of HK\$1.2 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.2 per Offer Share.

The Sole Lead Manager (acting for itself and on behalf of the Underwriters) may, with our Company's consent, reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published in The Standard (in English) and Ming Pao Daily News (in Chinese) not later than the morning of the last day for lodging applications under the Public Offer. Such notices will also be available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and website of our Company at [www.mostkwaichung.com](http://www.mostkwaichung.com). Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company on or before Tuesday, 27 March 2018, the Share Offer will not proceed and will lapse immediately.

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

Pursuant to certain provisions contained in the Public Offer Underwriting Agreement in respect of the Offer Shares, the Sole Lead Manager (acting for itself and on behalf of the Underwriters) has the right in certain circumstances in its absolute discretion to terminate the obligations of the Public Offer Underwriters at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed "Underwriting - Underwriting arrangements and expenses - The Public Offer - Grounds for termination" in this prospectus.

16 March 2018

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## EXPECTED TIMETABLE<sup>(1)</sup>

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If there is any change in the following expected timetable of the Share Offer, our Company will issue an announcement in Hong Kong to be published in The Standard (in English) and Ming Pao Daily News (in Chinese) and on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.mostkwaichung.com](http://www.mostkwaichung.com).

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from . . . . . 9:00 a.m. on  
Friday, 16 March 2018

Latest time to complete electronic applications under the  
**eWhite Form** service through the designated

website at [www.ewhiteform.com.hk](http://www.ewhiteform.com.hk)<sup>(2)</sup> . . . . . 11:30 a.m. on  
Wednesday, 21 March 2018

Application lists for the Public Offer open<sup>(3)</sup> . . . . . 11:45 a.m. on  
Wednesday, 21 March 2018

Latest time for lodging **WHITE** and **YELLOW** Application Forms

and giving **electronic application instructions** to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on  
Wednesday, 21 March 2018

Latest time to complete payment of **eWhite Form**

applications by effecting PPS payment transfer(s) . . . . . 12:00 noon on  
Wednesday, 21 March 2018

Application lists for the Public Offer close<sup>(3)</sup> . . . . . 12:00 noon on  
Wednesday, 21 March 2018

Expected Price Determination Date<sup>(5)</sup> . . . . . Wednesday, 21 March 2018

Announcement of the final Offer Price, the level of indication  
of interest in the Placing, the level of applications in  
respect of the Public Offer and the basis of  
allotment under the Public Offer to be published in  
The Standard (in English) and Ming Pao Daily News (in Chinese)  
and on the websites of Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)  
and our Company at [www.mostkwaichung.com](http://www.mostkwaichung.com)

on or before . . . . . Tuesday, 27 March 2018

Announcement of the results of allocations (with successful  
applicants' identification document numbers, where  
applicable) to be available through a variety of channels  
including the websites of the Stock Exchange at  
[www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.mostkwaichung.com](http://www.mostkwaichung.com)<sup>(6)</sup> as  
described in the section headed "How to apply for the Public

Offer Shares – 11. Publication of Results" on or before . . . . . Tuesday, 27 March 2018

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Results of allocations in the Public Offer to be available at  
**www.ewhiteform.com.hk/results** with a “search by ID”  
function from . . . . . Tuesday, 27 March 2018

Dispatch/collection of Share certificates or deposit of Share  
certificates into CCASS<sup>(7 and 8)</sup> in respect of wholly or  
partially successful applications pursuant to the  
Public Offer on or before . . . . . Tuesday, 27 March 2018

Dispatch/collection of refund cheques/e-Auto Refund  
payment instructions<sup>(8, 9, 10 and 11)</sup> under the  
Public Offer on or before . . . . . Tuesday, 27 March 2018

Dealings in the Shares on the Main Board to commence at . . . . . 9:00 a.m. on  
Wednesday, 28 March 2018

*Notes:*

1. All times and dates refer to Hong Kong local time and date, unless otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. You will not be permitted to submit your application through the designated website at **www.ewhiteform.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Wednesday, 21 March 2018, the application lists will not open and close on that day. Particulars of the arrangements are set forth under the section headed “How to apply for the Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Wednesday, 21 March 2018, the dates mentioned in this section headed “Expected timetable” may be affected. A press announcement will be made by our Company in such event.
4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for the Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Wednesday, 21 March 2018. If, for any reason, the Offer Price is not agreed between the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company by Tuesday, 27 March 2018, the Share Offer will not proceed and will lapse.
6. None of the website of our Company or any of the information contained on the website of our Company forms part of this prospectus.
7. Share certificates for the Public Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date (such date is currently expected to be on Wednesday, 28 March 2018) provided that (i) the Share Offer becomes unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus has not been exercised thereto and has lapsed. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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8. Applicants who have made an application using **WHITE** Application Form or **eWhite Form** (where relevant) for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by the Application Form may collect their refund cheque(s) and/or share certificate(s) in person from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, between 9:00 a.m. to 1:00 p.m. on Tuesday, 27 March 2018. Applicants being individuals who are eligible for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations which eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with their chops. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity and/or (where applicable) authorisation documents acceptable and satisfactory to the Hong Kong Branch Share Registrar.

If an applicant is using a **YELLOW** Application Form or giving **electronic application instructions**, the relevant arrangements are set out in the section headed “How to apply for the Public Offer Shares – 14. Dispatch/Collection of Share certificates and refund monies” in this prospectus.

Uncollected Share certificates and refund cheques will be dispatched by ordinary post, at the applicants’ own risk, to the addresses specified on the relevant applications. Further information is set out in the sections headed “How to apply for the Public Offer Shares – 14. Dispatch/Collection of Share certificates and refund monies” and “How to apply for the Public Offer Shares – 12. Circumstances in which you will not be allocated Public Offer Shares” in this prospectus.

9. e-Auto Refund payment instructions/Refund cheques will be issued in respect of wholly or partially unsuccessful applications under the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.
10. Part of the Hong Kong identity card number/passport number of an applicant or, if there are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by the relevant applicant may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. The banker of the relevant applicant may require verification of his/her Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, the refund cheque.
11. Applicants who apply through the **eWhite Form** service and paid their applications monies through single bank account may have refund monies (if any) dispatch to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **eWhite Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatch to the address as specified in their application instructions to the **eWhite Form** Services Provider, in the form of refund cheques, by ordinary post at their own risk.

**The above expected timetable is a summary only. You should refer to the sections headed “Structure and conditions of the Share Offer” and “How to apply for the Public Offer Shares” in this prospectus for details of the Public Offer, including the conditions of the Public Offer, and the procedures for application for the Public Offer Shares.**

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### IMPORTANT NOTICE TO INVESTORS

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

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors or affiliates of any of them, or any other persons or parties involved in the Share Offer. The contents of our Company's website at [www.mostkwaichung.com](http://www.mostkwaichung.com) do not form part of this prospectus.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We provide integrated advertising and media services to customers which can be categorised into (i) digital media services under which we provide a one-stop advertising solution package to our customers, with different types of advertisements including video, online banner, newsfeed and advertorial, through various distribution channels including the Digital Media Platforms (which include (a) our respective fan pages of “100 Most” (100毛), “TVMost” (毛記電視) and our contracted artistes on the third party social media platforms and (b) “TVMost” website and mobile application operated by our Group), third parties’ TV channels, Internet and physical advertising spaces; (ii) print media services which include (a) advertorial production and advertisement placement services in our 100 Most Magazine and (b) sales of our 100 Most Magazine, our book publications and our Blackpaper Magazine (publication ceased on 1 January 2017); and (iii) other media services which include events organisation and artistes management. Through these media platforms, we distribute our creative content featuring our own distinctive style. All our revenue during the Track Record Period was generated in Hong Kong.

Our Group commenced our business as a print media services provider offering advertorial production and advertisement placement services and providing print media publications including Blackpaper Magazine, 100 Most Magazine and various titles of books. With our expanded viewer base after we started publishing creative content primarily on our TVMost website and respective fan pages of “100 Most” and “TVMost” on one of the most popular third party social media platforms which constantly sparks discussions among the community in Hong Kong, our integrated advertising and media services evolved with increasing types of advertisements and distribution channels. We diversified our business from print media to digital media and have become capable of providing a diverse type of advertisements under our digital media services including video, online banner, newsfeed and advertorial on various distribution channels including our TVMost website, our TVMost mobile application, third party social media platforms, third parties’ TV channels, Internet and physical advertising spaces. Also, we further expanded the scope of our other media services under the integrated advertising and media services by way of organising events which provides advertising and media services through our sponsorship package and our contracted artistes’ participation in the advertisements and events.

The advertising and media industry is characterised by rapidly changing environment and changing viewer preference. Our Group’s successful diversification to digital media services over the years by offering prevailing types of advertisements through popular distribution channels of the time demonstrates that our Group is adaptable to the rapidly changing environment of the advertising and media market, primarily leveraging on our competitive strengths with details set forth under the sections headed “Business – Competitive strengths” and “Industry overview – Factors leading to our success to initially overcome the industry entry barriers” in this prospectus. Our Group endeavours to closely monitor the changing user preference of online platforms and would further expand our reach to other media platforms as and when appropriate. As at the Latest Practicable Date, our Group has also diversified our distribution channels by publishing creative content on other social media platforms which are also popular among younger generation groups. Leveraging on the popularity of our brands “100 Most” and “TVMost”, we intend to continuously develop our digital and print media services segments and strengthen our efforts in organising events to further extend our marketing channels to physical arena other than digital and print media platforms to further promote our brand awareness and expand our customer base.

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## SUMMARY

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Our print publications are well-known to the general public in Hong Kong and each type of publications possesses its own distinguishing features. Our Blackpaper Magazine was a one-sheet Chinese language magazine normally featuring one celebrity in Hong Kong in each issue. It was first launched in January 2010 and the last issue was in December 2016. Our 100 Most Magazine is a weekly Chinese language magazine. As we target younger generation groups in Hong Kong as our readers, each issue of our 100 Most Magazine covers around a hundred short articles created by us on general entertainment topics. It was first launched in March 2013 and is issued every Thursday and distributed for sales mainly in convenience stores, bookstore chains and newsstands in Hong Kong and Macau. We started our book publication business since May 2013 and our publications cover a variety of topics mainly including fiction, prose, entertainment and documentary. Our authors include our founders and Controlling Shareholders, who are well-known figures in the media industry in Hong Kong, and our contracted artists. Our book publications are distributed for sales mainly in bookstore chains in Hong Kong.

Leveraging the extensive readership of our print publications we have established throughout years of operations and to cater for the change of readers' preference from print media to digital media in light of the digitalisation trend in recent years, we started launching our own media platforms which are our TVMost website and mobile application since May 2015 and November 2015, respectively, and distributing our creative content thereon to extend our content delivery network, thereby increasing our exposure and expanding our reach to a broader base of viewers. Our TVMost website and mobile application are updated periodically to capture topics that interest younger generation groups which can take an array of content types, including videos, advertorials, newsfeeds and online programmes which are generally entertainment in nature. Since mid-2017, we have experienced a decline of page views on our TVMost website to over 231,000 monthly page views in December 2017 as we have focused on updating creative content on our "100 Most" and "TVMost" fan pages on a third party social media platform (with details below) which are considered as the designated advertisement distribution platforms among our customers. During the Track Record Period, the majority of our creative works were produced based on our original ideas and some of our creative content involved parody works, for instance, cinematic adaptations, lyrics modifications and adaptations of photographs and/or content from public domain.

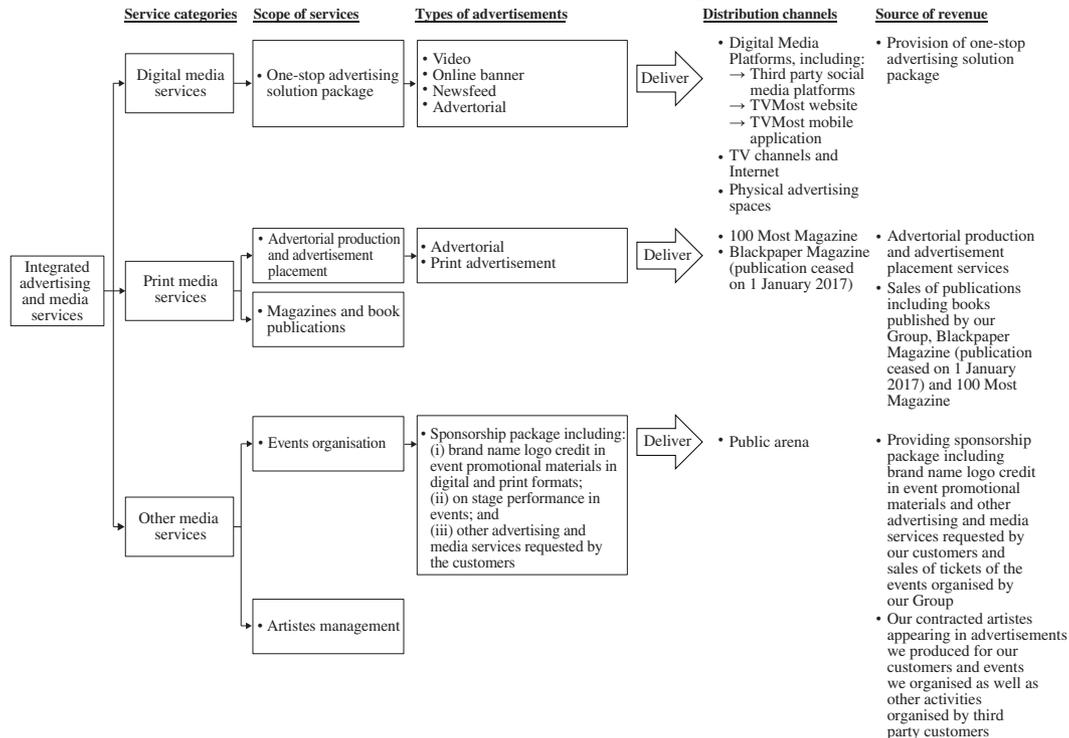
Apart from distribution on our own media platforms, we have also started publishing creative content mainly on our respective fan pages of "100 Most" and "TVMost" on one of the most popular third party social media platforms since March 2013 and May 2015, respectively, to maintain our competitiveness in the rapidly evolving advertising and media industry. Such platforms facilitate our content distribution and allow viewers of our fan pages to share the content published from time to time, thereby increasing our exposure and expanding our reach to a broader base of viewers. As at the Latest Practicable Date, we received more than 1.1 million and 0.7 million "likes" on our respective fan pages of "100 Most" and "TVMost" on such social media platform. The content we published thereon primarily focus on instant news and/or hot topics discussed on the Internet with an aim to retain attractiveness of our fan pages on such platform. Our Directors are of the view that these content are considered as instant creation and are generally different from our creative content in our weekly-published 100 Most Magazine. Save that our Group distributes covers of certain issues of our 100 Most Magazine and certain book publications on the Digital Media Platforms for promotional purpose, the textual content of our print publications are and will not be redistributed on such platforms. As such, the content of our Group's print publications generally does not overlap with those distributed on other media platforms and there will be no detrimental effect on the demand for our print publications.

Over the years of our operations, our print publications and creative content distributed on the Digital Media Platforms have been receptive and have attracted a broad base of readership with a diversified readership profile, ranging from teenagers to young adults. As one of the advertising and media market players in Hong Kong, we possess strong brand name recognition in the industry and have amassed a large base of visitors and followers who enjoy our creative content on various media channels, including the Digital Media Platforms, our print media platforms, third parties' TV channels, Internet and physical advertising spaces. As a result of the popularity of our creative content among our target audience and the enhancement of our brand names, our media platforms and our pages on social media platforms operate as cross-selling platforms with an extensive readership coverage which attract multinational customers, including brand owners and their advertising agencies to engage us for advertising and media services on those platforms.

# SUMMARY

## OUR PRINCIPAL BUSINESS

The following flowchart sets forth the general scope of our integrated advertising and media services, the types of advertisements we produce, the distribution channels of our creative content and source of revenue in each business segment:



When Blackpaper commenced business in around 2010, similar to most start-up companies, the business operations of our Group were primarily run by our executive Directors who are also our founders and Controlling Shareholders. They were actively involved in the provision of print media services, including providing creative inputs, engaging in writing articles and other creative productions and liaising works for the publication of the Blackpaper Magazine. As we expanded our business segments and diversified into digital media services, events organisation and artistes management business, and commenced distribution of our creative content through various platforms, our Group has been expanding our operation teams to support the daily business and segments operations. The number of employees of our Group has increased significantly from 29 as at 31 March 2015 to 52, 68 and 82 as at 31 March 2016, 31 March 2017 and 30 November 2017, respectively. As at the Latest Practicable Date, we had 90 employees, among which, more than 20 staff members were engaged in works that involve creativity, including generating creative ideas and visualising such ideas through our content production in print and digital formats. With the support of our operation teams led by our senior management team and key personnel, our executive Directors have started and continued delegating the executory duties to the operation teams and they have become less involved in the creation and production process, in particular in the print media services and artistes management business. Our executive Directors' roles have thus become generally supervisory in nature which focused more on formulating business strategies and development plans of our Group, approving the creative works collectively produced by our operation teams and making key business decisions. Our executive Directors consider that the success of our Group was attributable to the collective efforts of our executive Directors and each operation team. Details of our operation teams and key personnel are set forth in the sections headed "Business – Role and involvement of our executive Directors" and "Directors and senior management" in this prospectus. The below table sets out the involvement of our executive Directors in each of our business segments:

<b>Digital media services</b>	:	Participate in generating creative ideas for large-scale and/or key projects. Our executive Directors generally did not directly participate in the creation, production and/or editing of most of the digital creative content and the creation, preparation and/or distribution of advertorial content and newsfeeds during the Track Record Period
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## SUMMARY

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**Print media services** : Mainly responsible for reviewing and approving some of the magazine covers and the cover stories of our 100 Most Magazine, and supervising the publication team on the engagement of potential authors for book publication. Our executive Directors were not generally involved in the preparation and editing of content and production of artworks in our 100 Most Magazine and book publications during the Track Record Period

**Other media services**

– *Events organisation* : Our executive Directors are more involved in the overall planning of events compared to other service offerings since they considered that the events would attract, and in fact had attracted, a lot of public attention and media coverage. Our operation teams are involved in the preparation of show content, promotion of the events and general execution works, for instance, preparing scripts of the programme and reserving venue for the events

– *Artistes management* : Our executive Directors generally do not directly participate in artistes management and they principally supervise our project manager who is responsible for operating such business

**Digital media services**

Under our digital media services, we offer a one-stop advertising solution package to our customers. We are able to provide advertising solutions throughout the entire advertisement pre-production, production and distribution stages, which range from design of slogan, planning of marketing strategy and direction, conceptualisation and formulation of advertising ideas, design and production of advertisements and artworks, overall production management and coordination, artistes liaison to media distribution. We provide flexibility in our service offerings so that our customers can select the specific advertising and media services to serve their marketing objectives and we ensure the service fees for the customised services we provide fall within our customers' advertising budgets. With the breadth of services we offer and our ability to provide advertising solutions tailored to meet specific needs, we believe we serve as a one-stop service provider providing comprehensive and all-our-customers-need advertising and media services. Our deliverables to customers under this service category can be distributed on the Digital Media Platforms, third parties' TV channels, Internet and physical advertising spaces subject to the needs of our customers.

**Print media services**

Our print media services comprise (i) advertorial production and advertisement placement services in our 100 Most Magazine; and (ii) sales of our Blackpaper Magazine (publication ceased on 1 January 2017), 100 Most Magazine and books published by our Group.

We adopt direct sales and distribution models for our publications. During the Track Record Period, we engaged the Magazine Distributor to distribute our Blackpaper Magazine and 100 Most Magazine mainly in convenience stores, bookstore chains and newsstands in Hong Kong and Macau, and the Book Distributor to distribute our book publications for sales mainly in bookstore chains in Hong Kong.

Prior to the formal launch of our digital media services in the year ended 31 March 2016, our Group primarily engaged in the print media services segment which accounted for approximately 99.3% of our revenue for the year ended 31 March 2015. While approximately 52.9% and 46.4% of our revenue was contributed by the sales of magazines and book publications, and advertorial production and advertisement placement services, respectively, for the same period. According to the Ipsos Report, the circulation revenue of the consumer magazine publishing market in Hong Kong experienced yearly growth of approximately 2.9% in 2015 and the advertising revenue in the same market also experienced yearly growth of approximately 4.3% and 2.0% in 2014 and 2015, respectively. In 2016, the growth of both circulation and advertising revenue was almost nil. Leveraging on the then favourable consumer magazine market in early years and the distinguishing features of our Blackpaper Magazine and 100 Most Magazine, our Group has accumulated extensive readership through our magazines which serve as effective cross-selling platforms attracting multinational customers, including brand owners and their advertising agencies, to advertise on our magazines.

## SUMMARY

During the Track Record Period, our revenue generated from print media services segment decreased from approximately HK\$23.8 million for the year ended 31 March 2015 to approximately HK\$22.7 million for the year ended 31 March 2016, and further decreased to approximately HK\$9.8 million for the year ended 31 March 2017. For the eight months ended 30 November 2016 and 2017, we recorded a decrease in revenue from approximately HK\$8.1 million for the eight months ended 30 November 2016 to approximately HK\$4.6 million for the eight months ended 30 November 2017. During the Track Record Period, our segment gross profits were approximately HK\$15.1 million, HK\$12.8 million, HK\$2.1 million and HK\$0.3 million, with segment gross profit margins of approximately 63.5%, 56.3%, 21.6% and 6.3%, respectively. The decreased gross profits derived from print media services over the Track Record Period was mainly attributable to a decrease in sales of our magazines and book publications as a result of the decreasing market preference on print publications and the sluggish development of the overall print media industry during the Track Record Period. The decreased segment gross profit margins during the Track Record Period was primarily due to a combined effect of our staff costs, being one of the major fixed costs of our publication business, accompanied with the reduced sales volume of our publications. In terms of segment result, we experienced a downturn to loss before income tax amounting to approximately HK\$2.3 million for the eight months ended 30 November 2017. Our Directors expect that the financial performance of our print media services would experience a decline for the year ending 31 March 2018 due to an anticipated lower margin as a matter of the downturn performance of the print media industry and the general trend of digitalisation in Hong Kong.

### Other media services

During the Track Record Period, we also generated revenue from our events (i) by providing sponsorship package including brand name logo credit in event promotional materials and other advertising and media services requested by our customers; (ii) by sales of tickets of events to public audience; (iii) in the form of advertising airtime and sponsorship for granting right and licence to a third party TV broadcasting company to broadcast our Anniversary Ceremony on a designated free third party TV channel; and (iv) by sales of our brand products and print publications to public audience of the events. We also conducted artistes management business and derived income from management of our contracted artistes who appeared in advertisements we produced for our customers and events we organised as well as other activities organised by third party customers.

The following table sets forth our revenue, gross profit and gross profit margin by business segments during the Track Record Period:

	2015			For the year ended 31 March 2016				2017				For the eight months ended 30 November 2017 (unaudited)								
	Revenue HK\$'000	Gross profit margin %	Gross profit HK\$'000	Revenue HK\$'000	Gross profit margin %	Gross profit HK\$'000	Revenue HK\$'000	Gross profit margin %	Gross profit HK\$'000	Revenue HK\$'000	Gross profit margin %	Gross profit HK\$'000	Revenue HK\$'000	Gross profit margin %	Gross profit HK\$'000	Revenue HK\$'000	Gross profit margin %	Gross profit HK\$'000		
Digital media services <sup>(1)</sup>	-	-	-	28,402	51.8	21,139	74.4	74,478	78.2	47,842	64.2	57,677	75.7	39,422	68.3	50,550	91.3	27,590	54.6	
Print media services																				
- Advertonal production and advertisement placement	11,118	46.4		13,662	24.9			3,733	3.9			2,972	3.9			694	1.3			
- Magazines and book publications <sup>(2)</sup>	12,691	52.9		9,039	16.5			6,093	6.4			5,141	6.8			3,871	7.0			
	23,809	99.3	15,128	63.5	22,701	41.4	12,783	56.3	9,826	10.3	2,121	21.6	8,113	10.7	2,875	35.4	4,565	8.3	288	6.3
Other media services																				
- Events organisation <sup>(3)</sup>	177	0.7		3,371	6.2			10,459	11.0			10,254	13.5			201	0.4			
- Artistes management <sup>(4)</sup>	-	-		351	0.6			465	0.5			81	0.1			-	-			
	177	0.7	35	19.8	3,722	6.8	2,410	64.8	10,924	11.5	8,307	76.0	10,335	13.6	7,743	74.9	201	0.4	100	49.8
<b>Total</b>	<b>23,986</b>	<b>100.0</b>	<b>15,163</b>	<b>63.2</b>	<b>54,825</b>	<b>100.0</b>	<b>36,332</b>	<b>66.3</b>	<b>95,228</b>	<b>100.0</b>	<b>58,270</b>	<b>61.2</b>	<b>76,125</b>	<b>100.0</b>	<b>50,040</b>	<b>65.7</b>	<b>55,316</b>	<b>100.0</b>	<b>27,978</b>	<b>50.6</b>

#### Notes:

- (1) During the Track Record Period, the revenue of digital media services was generated from the provision of our one-stop advertising solution package to our customers. We formally launched our digital media services in the year ended 31 March 2016 to further diversify the coverage of our services from print to digital media. During the year ended 31 March 2015, we were requested by our customers to produce and distribute creative content in digital format including advertising videos and newsfeeds as ancillary service supplemental to their service contracts for print media services. Such trial production of videos and newsfeeds offered our Group an opportunity to tap into the digital media services segment in the subsequent financial year. We formally established TV Most Broadcasts and commenced operating our digital media services segment in the year ended 31 March 2016.

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## SUMMARY

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- (2) Our 100 Most Magazine was issued weekly on every Thursday during the Track Record Period. Our Blackpaper Magazine was issued on every first and fifteenth day monthly in 2014. From 1 January 2015 to 31 December 2015, our Blackpaper Magazine was issued on a weekly basis. From 1 January 2016 onwards, Blackpaper Magazine was issued on a monthly basis until the cessation of publication on 1 January 2017. The number of book titles published by our Group during the Track Record Period was 30, 33, 28 and 18 respectively.
- (3) In March 2015, we organised a book publishing event for a book author to promote the sales of our book publications. In January 2016 and May 2016, our Group organised two events in Hong Kong, being the Awards Ceremony and the Anniversary Ceremony, respectively.
- (4) As at 31 March 2015, 2016 and 2017 and 30 November 2017, we had two, 13, 17 and 19 contracted artistes under our management, respectively.

Since the diversification of our services from print to digital media platforms in 2015, leveraging on our broad base of viewers following the official launch of the Digital Media Platforms under the name of “TVMost” in May 2015 and the increasing advertising needs of our customers through digital media, our digital media business had grown significantly. For the eight months ended 30 November 2017, our digital media services, print media services, and other media services segments contributed to approximately 91.3%, 8.3% and 0.4% of our revenue, respectively.

During the Track Record Period, we were not involved in any litigation and no litigation was known to our Directors to be pending or threatened by or against any member of our Group in relation to the content of our publications.

### OUR CUSTOMERS

During the Track Record Period, our customers mainly comprised local and multinational brand owners, advertising agencies of brand owners located in Hong Kong, the Magazine Distributor and the Book Distributor. Our brand owner customers operate in a wide variety of industries.

Our largest and second largest customers for the year ended 31 March 2015 were distributors of our publications. As at the Latest Practicable Date, we have entered into a long term distribution agreement with the Magazine Distributor with respect to our 100 Most Magazine, and a master framework agreement with the Book Distributor with respect to the books published by our Group. For details, please refer to the section headed “Business – Integrated advertising and media services – (B) Print media services – Publication of our magazines and book publications” in this prospectus.

For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, revenue derived from our five largest customers accounted for approximately 65.8%, 45.2%, 37.9% and 41.0% of our revenue, respectively, and that derived from our largest customer accounted for approximately 26.7%, 12.1%, 19.6% and 14.7% of our revenue, respectively.

### PRICING POLICY

Our service fees are generally charged at a fixed amount determined on a case-by-case basis and are set forth in the contracts between us and our customers. In formulating our service fees for an engagement, we take into consideration general factors including (i) the advertising budgets of our customers; (ii) the costs for carrying out the project with reference to the estimated time to be spent and the scale of the project, such as the number of employees to be involved in the project and customers’ requirements; (iii) the prevailing market prices for similar services offered in the market; (iv) the size, reputation and industry of the customers and/or advertisers involved; (v) the potential future business opportunities with the customers and/or advertisers; and (vi) other specific factors for each category of our integrated advertising and media services. For details, please refer to the section headed “Business – Sales and marketing – Pricing policy” in this prospectus.

### OUR SUPPLIERS

During the Track Record Period, suppliers of our integrated advertising and media services were primarily artistes, a social media platform, third party production houses and photographers, whereas suppliers of our print media services mainly comprised printers, photographers and bookwriters in Hong Kong.

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## SUMMARY

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During the Track Record Period, we engaged third party photographers and more than five production houses as our subcontractors to assist in the production of the advertisements, including photo and video shooting as well as post-production editing and cutting.

For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, our five largest suppliers accounted for approximately 51.6%, 26.2%, 25.2% and 25.0% of our total cost of sales, respectively, while the largest supplier in the corresponding period accounted for approximately 33.9%, 14.5%, 11.0% and 8.8% of our total cost of sales during the Track Record Period.

### COMPETITIVE STRENGTHS

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

- well-established brand names in the advertising and media industry that attract customers for our advertising and media services;
- capability of addressing the diversified advertising needs of our customers through provision of our integrated advertising and media services;
- well-established business relationships with our customers from diverse industries; and
- experienced management team and creative and responsive execution team.

For details, please refer to the section headed “Business – Competitive strengths” in this prospectus.

### BUSINESS STRATEGIES

We aim to become one of the most influential integrated advertising and media services providers through the following strategies:

- pursue growth through acquisitions and/or strategic alliance;
- expand our customer base and business operations through sales and marketing efforts;
- upgrade IT infrastructure and procure equipment with advanced technologies to facilitate production efficiency; and
- strengthen our efforts in events organisation to further extend our marketing channels.

For details, please refer to the section headed “Business – Business strategies” in this prospectus.

### INDUSTRY OUTLOOK AND COMPETITIVE LANDSCAPE

The online advertising industry is a fragmented market according to the Ipsos Report. Top players in the online advertising industry in Hong Kong are multinational companies. Apart from international online advertising companies, there are a large number of small and medium sized companies in the Hong Kong market. According to Census and Statistics Department of Hong Kong, there were 1,560 advertising companies registered in Hong Kong as of 2016, which increased from the number in 2011 with a CAGR of approximately 0.9%.

We compete primarily with entities carrying on business similar to ours in terms of brand recognition, quality of services, effectiveness of sales and marketing efforts, creativity in design and content, price, strategic relationships with customers and suppliers and retention of talented staff. With the increased time spent on the Internet in Hong Kong and proliferation of digital channels, it is expected that more consumers will get access to information or entertainment content through different mobile devices such as smartphones and tablets. On the other hand, the number of active magazine publishing companies is declining with a negative CAGR of approximately 3.7% from 2011 to 2016, while the magazine publishing market had slightly grown with a CAGR of approximately 3.1% in the same period. About 80 publishers have ceased their operation in the last five years. It is expected that the trend of declining magazine publishing companies will continue in the near future, and the industry will become more competitive. For details, please refer to the section headed “Industry overview” in this prospectus.

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## SUMMARY

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Please also refer to the section headed “Risk factors – Risks relating to our industry – We are in the highly competitive media services industry and may not be able to successfully compete with our competitors which could reduce our market share and adversely affect our financial performance” in this prospectus for further details.

### OUR CONTROLLING SHAREHOLDERS

Immediately upon the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), Mr. Iu, Mr. Luk and Mr. Tsui are regarded as a group of Controlling Shareholders as they indirectly held in aggregate 67.5% of the issued share capital of our Company through Blackpaper BVI, which is a common investment holding vehicle that exclusively holds their interests in our Company. Blackpaper BVI had no operations as at the Latest Practicable Date. For the purpose of the Listing Rules, Mr. Iu, Mr. Luk, Mr. Tsui and Blackpaper BVI are our Controlling Shareholders.

### SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

#### Selected items in our consolidated statements of comprehensive income

	For the year ended 31 March			For the eight months ended 30 November	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	23,986	54,825	95,228	76,125	55,316
Gross Profit	15,163	36,332	58,270	50,040	27,978
Profit before income tax	9,322	26,729	43,477	39,238	8,410
<b>Profit for the year/period</b>	<b>7,818</b>	<b>22,400</b>	<b>36,263</b>	<b>32,728</b>	<b>5,167</b>

Our revenue during the Track Record Period recorded a significant increase from approximately HK\$24.0 million for the year ended 31 March 2015 to approximately HK\$54.8 million for the year ended 31 March 2016, representing an increase of approximately 128.6%, and further increased to approximately HK\$95.2 million for the year ended 31 March 2017, representing a further increase of approximately 73.7%. Such increase was mainly attributable to the expansion of our digital media services which accounted for nil, approximately 51.8% and 78.2% of our revenue during the same periods, and the revenue derived from the two major events we organised in January and May 2016. Our revenue for the eight months ended 30 November 2016 decreased from approximately HK\$76.1 million to approximately HK\$55.3 million for the eight months ended 30 November 2017, representing a decrease of approximately 27.3%. The higher revenue we derived in the eight months ended 30 November 2016 was principally attributable to the revenue from our events organisation which contributed approximately HK\$10.3 million whereas such revenue was nil in the eight months ended 30 November 2017, as well as the better performance of our print media services segment which contributed approximately HK\$8.1 million of revenue for the eight months ended 30 November 2016 compared with the segment revenue of approximately HK\$4.6 million for the eight months ended 30 November 2017 as a matter of the general downturn of the print media industry in Hong Kong.

During the years ended 31 March 2015, 2016 and 2017, our profit recorded a significant increase from approximately HK\$7.8 million for the year ended 31 March 2015 to approximately HK\$22.4 million for the year ended 31 March 2016, representing an increase of approximately 186.5%, and further increased to approximately HK\$36.3 million for the year ended 31 March 2017, representing an increase of approximately 61.9%. Our profit for the eight months ended 30 November 2016 decreased from approximately HK\$32.7 million to approximately HK\$5.2 million for the eight months ended 30 November 2017, representing a decrease of approximately 84.2%. The decrease in net profit was mainly due to the decreased gross profit, as well as the non-recurring listing expenses incurred by us for the preparation of the Listing and the related tax effect from such listing expenses which was not deductible for tax purpose thereby increased our income tax expenses for the eight months ended 30 November 2017.

## SUMMARY

### Our cost of sales

The following table sets forth a breakdown of our cost of sales incurred under each business segment during the Track Record Period:

	For the year ended 31 March						For the eight months ended 30 November			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Digital media services	–	–	7,263	39.3	26,636	72.0	18,255	70.0	22,960	84.0
Print media services	8,681	98.4	9,918	53.6	7,705	20.9	5,238	20.1	4,277	15.6
Other media services	142	1.6	1,312	7.1	2,617	7.1	2,592	9.9	101	0.4
<b>Total</b>	<b>8,823</b>	<b>100.0</b>	<b>18,493</b>	<b>100.0</b>	<b>36,958</b>	<b>100.0</b>	<b>26,085</b>	<b>100.0</b>	<b>27,338</b>	<b>100.0</b>

At the beginning of the Track Record Period, our business comprised two business segments, namely, print media services and other media services, of which a substantial amount of our cost of sales was incurred under our print media services. The major cost components of our digital media services comprised staff costs and production costs, whereas those for our print media services included staff costs, printing costs and cost of inventories. Since the official launch of our digital media services during the year ended 31 March 2016, the cost of sales incurred under such segment became the largest proportion among all segments. For the eight months ended 30 November 2017, approximately 84.0% of our cost of sales was incurred under our digital media services which amounted to approximately HK\$23.0 million.

### Selected items of consolidated balance sheets

	As at 31 March			As at
	2015	2016	2017	30 November 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	838	1,336	1,403	1,883
Current assets	18,119	34,469	39,077	49,117
Current liabilities	2,254	6,649	10,065	37,397
Non-current liabilities	35	88	84	108
Net current assets	15,865	27,820	29,012	11,720

Our Group's net current assets increased from approximately HK\$15.9 million as at 31 March 2015 to approximately HK\$27.8 million as at 31 March 2016. The increase was primarily due to the increase in our trade receivables of approximately HK\$10.5 million. The net current assets slightly increased to approximately HK\$29.0 million as at 31 March 2017 due to increase in cash and cash equivalents of approximately HK\$7.0 million from our operations. Our net current assets as at 31 March 2017 decreased from approximately HK\$29.0 million to approximately HK\$11.7 million as at 30 November 2017.

### Selected items of consolidated statements of cash flows

	For the year ended 31 March			For the eight months ended 30 November	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	3,773	15,048	42,669	31,887	7,698
Net cash (used in) investing activities	(709)	(921)	(632)	(556)	(643)
Net cash generated from/(used in) financing activities	357	(10,000)	(35,000)	(10,000)	(2,260)

## SUMMARY

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended 31 March			For the eight months ended 30 November
	2015	2016	2017	2017
Gross Profit Margin (%) <sup>(1)</sup>	63.2	66.3	61.2	50.6
Net Profit Margin (%) <sup>(2)</sup>	32.6	40.9	38.1	9.3
Return on equity (%) <sup>(3)</sup>	46.9	77.1	119.6	38.3
Return on total assets (%) <sup>(4)</sup>	41.2	62.6	89.6	10.1

	As at 31 March			As at 30 November
	2015	2016	2017	2017
Current ratio <sup>(5)</sup> (times)	8.0	5.2	3.9	1.3
Quick ratio <sup>(6)</sup> (times)	7.8	5.0	3.8	1.3
Gearing ratio <sup>(7)</sup> (%)	0.5	0.3	0.3	163.0
Net debt to equity ratio <sup>(8)</sup> (%)	N/A	N/A	N/A	N/A

*Notes:*

- (1) Gross profit margin for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 was calculated based on gross profit for the year or period divided by revenue for the respective years or periods and multiplied by 100%. See the section headed “Financial information – Review of historical results of operations” for more details on our gross profit margins.
- (2) Net profit margin for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 was calculated based on profit for the year or period divided by revenue for the respective years or periods and multiplied by 100%. See the section headed “Financial information – Review of historical results of operations” for more details on our net profit margins.
- (3) Return on equity for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 was calculated based on profit for the year or period divided by the total equity as at the respective dates and multiplied by 100%.
- (4) Return on total assets for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 was calculated based on profit for the year or period divided by the total assets as at the respective dates and multiplied by 100%.
- (5) Current ratio as at 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 was calculated based on the total current assets divided by the total current liabilities as at the respective dates.
- (6) Quick ratio as at 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 was calculated based on the total current assets less inventories and divided by total current liabilities as at the respective dates.
- (7) Gearing ratio as at 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 was calculated based on the total debt divided by the total equity as at the respective dates and multiplied by 100%. The total debt comprised amounts due to Directors and dividend payable as at the dates indicated.
- (8) Debt to equity ratio as at 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 was calculated based on net debts (being total borrowings, which include amounts due to Directors and dividend payable net of cash and cash equivalents) divided by the total equity as at the respective dates and multiplied by 100%.

### LEGAL PROCEEDINGS AND COMPLIANCE

Save as disclosed in the section headed “Business – Legal proceedings and compliance – Legal compliance” in this prospectus in relation to our Group’s certain non-compliance incidents, we have complied with all applicable laws and regulations in Hong Kong in all material respects during the Track Record Period and up to the Latest Practicable Date and no member of our Group was engaged in any material claim, litigation or arbitration and no material claim, litigation or arbitration was known to our Directors to be pending or threatened against any member of our Group.

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## SUMMARY

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### RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

Our business model, revenue and cost structure basically remained unchanged subsequent to the Track Record Period and up to the Latest Practicable Date. Prospective investors are specifically warned that our adjusted net profit (excluding the impact from listing expenses) for the year ending 31 March 2018 may show a decline as compared to that of the previous financial year mainly due to our Directors' views that (i) an anticipated lower margin to be achieved by our print media services segment caused by the downturn performance of the print media industry as a whole in Hong Kong as a result of the digitalisation trend; and (ii) an expected higher operating expenses to be incurred with respect to our plans to engage in more sales and marketing activities to expand our customer base and business operations, upgrade our TVMost website, mobile application and internal IT system, procure new equipment to support daily operations as well as increase the number of our sales and marketing and events organisation staff members during the relevant period. Details of our future plans and business strategies are set forth under the sections headed "Future plans and use of proceeds" and "Business – Business strategies", respectively, in this prospectus.

The following table sets forth the number of on-going contracts of our Group with respect to our digital media, print media and other media services (except for the distribution agreements in relation to the sales of magazines and book publications), and the respective revenue to be recognised, as at the dates indicated:

	30 November 2017	As at Latest Practicable Date
Number of on-going contracts	62	54
Aggregate outstanding contract value as at the given date and the corresponding revenue expected to be recognised	Approximately HK\$12.9 million as at the given date, of which approximately HK\$12.4 million and HK\$0.5 million are expected to be recognised for the years ending 31 March 2018 and 2019, respectively.	Approximately HK\$19.1 million as at the given date, of which approximately HK\$16.1 million and HK\$3.0 million are expected to be recognised for the years ending 31 March 2018 and 2019, respectively.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save as disclosed above and in the paragraph headed "Listing expenses" in this section below, we did not have any significant non-recurrent items in our consolidated financial statements. Our Directors also confirmed that, since 30 November 2017 and up to the date of this prospectus, (i) there was no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event occurred that would materially and adversely affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

We will hold the 2018 April Talk Show in the Queen Elizabeth Stadium in Hong Kong. The show, which is entertainment in nature, will feature one of our contracted artistes and host more than 2,400 audience. For further information about the event, please refer to the section headed "Business – Integrated advertising and media services – (C) Other media services – Events organisation" in this prospectus.

### LISTING EXPENSES

Assuming an Offer Price of HK\$1.1 per Offer Share, being the mid-point of the indicative price range for the Share Offer, total listing expenses in relation to the Listing amounted to approximately HK\$21.4 million. During the three years ended 31 March 2017, we did not incur any listing expenses. For the year ending 31 March 2018, a total of approximately HK\$14.3 million is expected to be recognised as administrative expenses in our consolidated statements of comprehensive income, while approximately HK\$7.1 million is directly attributable to the Share Offer and expected to be recognised as a deduction in equity. For the eight months ended 30 November 2017, we incurred and recognised listing expenses of approximately HK\$9.2

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## SUMMARY

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million. Our Directors would like to emphasise that such listing expenses are a current estimate for reference only, and the final amount to be recognised to the income statement of our Group or to be capitalised is subject to adjustment based on audit and the subsequent changes in variables and assumptions. Potential investors should note that the financial performance of our Group for the year ending 31 March 2018 is expected to be adversely affected by the estimated non-recurring listing expenses mentioned and may or may not be comparable to the financial performance of our Group in the past. For the associated risk, please refer to the section headed “Risk factors – Risks relating to the Share Offer – There would be a negative impact on the financial results of our Group for the year ending 31 March 2018 due to the non-recurring listing expenses” in this prospectus.

### USE OF PROCEEDS

We intend to use the net proceeds of approximately HK\$52.8 million from the Share Offer after deducting the underwriting commissions and other expenses in connection with the Share Offer and assuming the initial Offer Price of HK\$1.1 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.0 to HK\$1.2 per Offer Share, for the purposes below:

- approximately 28.4%, or HK\$15.0 million, is expected to be used to pursue growth through selected mergers and acquisitions and/or strategic alliance with other market players. As at the Latest Practicable Date, we have not identified any target for acquisition or strategic alliance;
- approximately 21.9%, or HK\$11.6 million, is expected to be used to engage in sales and marketing activities to expand our customer base and business operations;
- approximately 20.8%, or HK\$11.0 million, is expected to be used to upgrade our TVMost website, mobile application and internal IT system of our Group and procure new equipment to achieve operational efficiency and support our business expansion;
- approximately 18.9%, or HK\$10.0 million, is expected to be used to strengthen our efforts in events organisation to further extend our marketing channels; and
- approximately 10.0%, or HK\$5.2 million, is expected to be used to fund our working capital and for general corporate purposes.

Please refer to the section headed “Future plans and use of proceeds” in this prospectus for further details.

### OFFER STATISTICS

	<b>Based on the minimum indicative Offer Price of HK\$1.0 per Offer Share</b>	<b>Based on the maximum indicative Offer Price of HK\$1.2 per Offer Share</b>
Market capitalisation of our Shares expected to be in issue following completion of the Capitalisation and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) <i>(Note 1)</i>	HK\$270.0 million	HK\$324.0 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share <i>(Note 2)</i>	HK\$0.26	HK\$0.30

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## SUMMARY

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### Notes:

1. The calculation of market capitalisation is based on 270,000,000 Shares expected to be in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).
2. The unaudited pro forma adjusted consolidated net tangible assets per Share has been prepared after the adjustments referred to the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus and on the basis of 270,000,000 Shares expected to be in issue assuming that the Capitalisation Issue and the Share Offer had been completed without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

### DIVIDENDS

During the Track Record Period, no dividend was paid or declared by our Company since its date of incorporation. The dividends declared and paid by the companies now comprising our Group to its then shareholders including Mr. Iu, Mr. Luk, Mr. Tsui and Tronix Investment (or Top Plus before the transfer of one share in Blackpaper to Tronix Investment on 2 May 2013) entitling as to 30%, 30%, 30% and 10% in accordance with their respective shareholding in the relevant periods were approximately HK\$0.4 million, HK\$10.0 million and HK\$35.0 million for the years ended 31 March 2015, 2016 and 2017, respectively.

On 12 July 2017, Blackpaper declared special dividend in the amount of HK\$22.0 million which was paid to its then shareholders as at the Latest Practicable Date and settled by our internal resources. The declaration of dividends is subject to the discretion of our Board. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. As at the Latest Practicable Date, we have not adopted any fixed dividend payout ratio. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Companies Law. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

### RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our Group, risks relating to our industry, risks relating to the Share Offer and risks relating to statements in this prospectus. As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed "Risk factors" in this prospectus carefully before you decide to invest in the Offer Shares. Some of the major risks we face include:

- we have a complex integrated business model. Our operating results depend on the interplay of our services and creative content offerings and our successful adaptation to the rapid changing customer preferences and technological development in the advertising and media industry;
- we heavily rely on social media platforms for publication of our creative content which are considered as the advertisement distribution platforms among our customers and any decline in usage of such social media platforms may materially affect our results of operations;
- our business is highly sensitive to changing viewer preferences;
- if we fail to keep up with the rapid changing technologies, we could lose our customers and our business and results of operations could be adversely affected; and
- if we fail to attract, recruit or retain our key personnel including our executive Directors, senior management and other key employees, our ongoing operations and growth could be affected.

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## DEFINITIONS

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

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	<b>WHITE</b> application form(s), <b>YELLOW</b> application form(s) and <b>GREEN</b> application form(s) or, where the context so requires, any of them, which is used in relation to the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 2 March 2018 and which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in the section headed “Summary of the constitution of our Company and Cayman Companies Law” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Blackpaper”	Blackpaper Limited (黑紙有限公司), a company incorporated under the laws of Hong Kong with limited liability on 30 November 2010 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Blackpaper BVI”	Blackpaper Limited, a company incorporated under the laws of the BVI with limited liability on 7 June 2017, our Controlling Shareholder
“Board”	the board of Directors
“Book Distributor”	Global China Circulation & Distribution Limited (泛華發行代理有限公司), our sole distributor of the books published by our Group during the Track Record Period
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	British Virgin Islands

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## DEFINITIONS

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“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the share premium account of our Company upon completion of the Share Offer referred to in the paragraph headed “A. Further information about our Company and our subsidiaries – 3. Resolutions in writing of all our Shareholders passed on 2 March 2018” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Commercial Radio Hong Kong”	the Hong Kong Commercial Broadcasting Corporation Limited
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Company” or “our Company”	Most Kwai Chung Limited (毛記葵涌有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 June 2017
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and, unless the context requires otherwise, refers to Mr. Iu, Mr. Luk and Mr. Tsui, as a group of controlling shareholders, and the company through which each of them holds interest in our Company, namely, Blackpaper BVI
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deed of Indemnity”	a deed of indemnity dated 6 March 2018 entered into by each of the Controlling Shareholders in favour of our Company for itself and as trustee for its subsidiaries as described in paragraph headed “D. Other information – 3. Tax and other indemnity” in Appendix IV in this prospectus
“Deed of Non-competition”	a deed of non-competition dated 6 March 2018 entered into by each of the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) as described in the section headed “Relationship with our Controlling Shareholders – Non-competition undertaking” in this prospectus
“Director(s)” or “our Directors”	the director(s) of our Company
“eWhite Form(s)”	the application form(s) for the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designate website of <b>eWhite Form</b> at <b>www.ewhiteform.com.hk</b>
“eWhite Form Service Provider”	The <b>eWhite Form</b> service provider designated by our Company as specified on the designated website at <b>www.ewhiteform.com.hk</b>

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## DEFINITIONS

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“French Rotational”	French Rotational Production Limited, a company incorporated under the laws of Hong Kong with limited liability on 24 March 2017 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“General Manager”	General Manager Management Limited 總經理人有限公司, a company incorporated under the laws of Hong Kong with limited liability on 20 August 2014 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“General Productions”	General Productions Limited, a company incorporated under the laws of the BVI with limited liability on 12 June 2017 and an indirect wholly-owned subsidiary of our Company
“GREEN Application Form(s)”	the application form(s) to be completed by the <b>eWhite Form</b> Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and “we”, “our” or “us” shall be construed accordingly
“HK\$” or “Hong Kong dollars”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited

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## DEFINITIONS

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“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not a connected person(s) of our Company under the Listing Rules
“Ipsos”	Ipsos Limited, an independent market research and consulting company engaged by our Company and an Independent Third Party
“Ipsos Report”	the industry report prepared by Ipsos and commissioned by our Company, the content of which is quoted in this prospectus
“Latest Practicable Date”	6 March 2018, being the latest practicable date prior to the date of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Legal Counsel”	Mr. Leung Wai-Keung, Richard, barrister-at-law in Hong Kong
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or around 28 March 2018, on which the Shares are listed and from which dealings therein are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“Magazine Distributor”	Great Expect Newspaper and Magazine Distribution Limited (青揚書報社有限公司), our sole distributor of Blackpaper Magazine (publication ceased on 1 January 2017) and 100 Most Magazine during the Track Record Period

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## DEFINITIONS

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“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Media Chinese”	Media Chinese International Limited, a company incorporated under the laws of Bermuda with limited liability and the shares of which are dual listed on Bursa Malaysia Securities Berhad (Malaysia Stock Code: 5090) and the Main Board of the Stock Exchange (Stock Code: 685), which is indirectly controlled by an Independent Third Party, Tan Sri Datuk Sir Tiong Hiew King, by virtue of his personal interests, family interests and interests in various corporate entities
“Memorandum of Association”	the memorandum of association of our Company conditionally adopted on 2 March 2018 and which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“Most BVI”	Most Kwai Chung (BVI) Limited, a company incorporated under the laws of the BVI with limited liability on 9 June 2017 and a direct wholly-owned subsidiary of our Company
“Most Multimedia”	Most Multimedia Limited, a company incorporated under the laws of the BVI with limited liability on 12 June 2017 and an indirect wholly-owned subsidiary of our Company
“Most Publishing”	Most Publishing Limited, a company incorporated under the laws of the BVI with limited liability on 12 June 2017 and an indirect wholly-owned subsidiary of our Company
“MPM”	Ming Pao Magazines Limited (明報雜誌有限公司), a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of One Media
“Mr. Iu”	Mr. Iu Kar Ho (姚家豪), Chairman of the Board, our executive Director and Controlling Shareholder
“Mr. Lam”	Mr. Lam Pak Cheong (林栢昌), the director of Tronix Investment and Top Plus and the chief executive officer and executive director of One Media

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## DEFINITIONS

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“Mr. Luk”	Mr. Luk Ka Chun (陸家俊), our executive Director and Controlling Shareholder
“Mr. Tsui”	Mr. Tsui Ka Ho (徐家豪), our executive Director, Controlling Shareholder and the spouse of Mrs. Tsui
“Mrs. Tsui”	Ms. Choi Ming Lai Dejay (蔡明麗), the spouse of Mr. Tsui
“Number Eighteen”	Number Eighteen Limited, formerly known as Most Records Limited (毛記唱片有限公司), a company incorporated in Hong Kong with limited liability on 3 May 2016 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Number Eighteen BVI”	Number Eighteen Limited, formerly known as Most Music Limited, a company incorporated in the BVI with limited liability on 12 June 2017 and an indirect wholly-owned subsidiary of our Company
“Number Nineteen”	Number Nineteen Limited, a company incorporated in Hong Kong with limited liability on 30 March 2015 and dissolved by deregistration on 2 December 2016
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$1.2 and expected to be not less than HK\$1.0 per Offer Share
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“One Media”	One Media Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 426), which is indirectly controlled by an Independent Third Party, Tan Sri Datuk Sir Tiong Hiew King, by virtue of his personal interests, family interests and interests in various corporate entities
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price with professional, institutional and other investors, as further described in the section headed “Structure and conditions of the Share Offer – The Placing” in this prospectus

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## DEFINITIONS

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“Placing Shares”	the 60,750,000 Placing Shares being initially offered by our Company pursuant to the Placing for subscription at the Offer Price, representing 90% of the initial number of Offer Shares (subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Placing Underwriters”	the group of placing underwriters set out in the section headed “Underwriting – Underwriters” in this prospectus
“Placing Underwriting Agreement”	the underwriting agreement relating to the Placing to be entered into by, among others, our Company and the Placing Underwriters on or about the Price Determination Date, as further described in the section headed “Underwriting” in this prospectus
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Price Determination Agreement”	the agreement expected to be entered into between the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about 21 March 2018 on which the Offer Price is determined, or such later time as the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company may agree, but in any event no later than 27 March 2018
“Principal Share Registrar and Transfer Office”	Maples Fund Services (Cayman) Limited
“Public Offer”	the offer of the Public Offer Shares at the Offer Price for subscription by the public in Hong Kong (subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus) on the terms and conditions described in this prospectus and the Application Forms

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## DEFINITIONS

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“Public Offer Shares”	the 6,750,000 Offer Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Public Offer, representing 10% of the initial number of Offer Shares (subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the public offer underwriting agreement relating to the Public Offer dated 15 March 2018 entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor and the Public Offer Underwriters, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“Reorganisation”	the corporate reorganisation of the companies undergone by our Group in preparation for the Listing as set out in the section headed “History, development and Reorganisation – Reorganisation” in this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the offer of 67,500,000 Shares by way of Public Offer and Placing (without taking into account any Share which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), representing 25% of the enlarged issued share capital of our Company
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 2 March 2018, the principal terms of which are summarised in the paragraph headed “D. Other information – 1. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)

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## DEFINITIONS

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“Sole Sponsor”, “Sole Bookrunner” or “Sole Lead Manager”	Ever-Long Securities Company Limited, a corporation licenced by the SFC to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules, unless the context otherwise requires
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Top Plus”	Top Plus Limited, a company incorporated under the laws of the BVI with limited liability on 30 December 2003, being an indirect wholly-owned subsidiary of One Media and an Independent Third Party
“Track Record Period”	the period comprising the three financial years ended 31 March 2017 and the eight months ended 30 November 2017
“Tronix Investment”	Tronix Investment Limited, a company incorporated under the laws of the BVI with limited liability on 2 January 2013
“TV Most Broadcasts”	TV Most Broadcasts Limited (毛記電視廣播有限公司), a company incorporated under the laws of Hong Kong with limited liability on 16 March 2015 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “US dollar(s)” or “USD”	United States Dollars, the lawful currency of the U.S.

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## DEFINITIONS

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“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Offer Shares to be issued in the applicant’s own name
“Whitepaper Publishing”	Whitepaper Publishing Limited (白卷出版有限公司), a company incorporated under the laws of Hong Kong with limited liability on 2 December 2013 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Offer Shares to be deposited directly into CCASS
“%”	per cent.

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

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## GLOSSARY OF TECHNICAL TERMS

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*The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to meanings or usage of these terms as used by others or standard industry definitions.*

“100 Most”	100毛, one of the brands of our Group. Our Group operates our 100 Most fan page on third party social media platforms
“100 Most Magazine”	100毛, a weekly Chinese language magazine produced and published by our Group. It was first launched in March 2013
“2018 April Talk Show”	East Sing Superpower Save Hong Kong (東方昇特異功能救香港), a talk show organised by our Group which will take place in the Queen Elizabeth Stadium in Hong Kong in April 2018
“4AHK”	the Association of Accredited Advertising Agencies of Hong Kong
“advertising newsfeed”	a newsfeed that is advertising in nature
“advertorial”	advertisement in the form of an editorial, published in our 100 Most Magazine and/or the Digital Media Platforms
“Anniversary Ceremony”	Happy TVMost Birthday To Me (萬千呢Like賀台慶), an event organised by our Group which took place in the Hong Kong Convention and Exhibition Centre in May 2016
“article”	includes those designed and produced by our Group and third parties, published on the Digital Media Platforms
“Awards Ceremony”	TVMost 1st Guy Ten Big Ging Cook Gum Cook Awards Distribution (毛記電視第一屆十大勁曲金曲分獎典禮), an event organised by our Group which took place in the Queen Elizabeth Stadium in Hong Kong in January 2016
“Blackpaper Magazine”	黑紙, a one-sheet Chinese language magazine produced and published by our Group. It was first launched in January 2010 and its last issue was in December 2016
“CASH”	Composers and Authors Society of Hong Kong Limited

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## GLOSSARY OF TECHNICAL TERMS

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“Digital Media Platforms”	include (i) our respective fan pages of 100 Most, TVMost and our contracted artistes on the third party social media platforms; and (ii) TVMost website and mobile application operated by our Group
“Internet”	a global system of interconnected computer networks that use the Internet protocol suite to link devices worldwide
“IT”	information technology
“kg”	kilogramme
“newsfeed”	a data format which provides users of a website with updated content, usually applicable in social media platforms or websites
“online banner”	an advertisement displayed on our TVMost website, the clicking of which brings the viewer to our customer’s website
“parody”	an imitation of artistic works or style of a writer or artiste with deliberate exaggeration for comic effect and/or the use of humour, irony or ridicule to expose or criticise contemporary topical issues or people
“prop”	theatrical property, commonly referred to as a “prop”, is an object held or used on stage by an actor for use in furthering the plot or storyline of a production
“sq.m.” or “m <sup>2</sup> ”	square metres
“TV”	television
“TVMost”	毛記電視, one of the brands of our Group. Our Group operates our TVMost website and mobile application and our TVMost fan page on third party social media platforms on which we publish and update creative content periodically to capture entertainment topics that interest younger generation groups in Hong Kong
“video”	standalone online video published on the Digital Media Platforms, or as pre-roll, mid-roll or post-roll advertisement of another video

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions, and the negative of these words, are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- our financial conditions;
- availability of bank loans and other forms of financing;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operate;
- estimates of capacities and operating costs;
- future developments in the industry in which our Group operates; and
- the trend of the economy of Hong Kong and the world in general.

These statements reflect the current views of our Directors with respect to future events, operations, liquidity and capital resources, and are based on several assumptions, including those regarding our Group’s present and future business strategies and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk factors” and “Financial information” in this prospectus, many of which are not within our Company’s control.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

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

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## RISK FACTORS

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

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

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

### **RISKS RELATING TO OUR GROUP**

***We have a complex integrated business model. Our operating results depend on the interplay of our services and creative content offerings and our successful adaptation to the rapid changing customer preferences and technological development in the advertising and media industry***

Our Group is an integrated advertising and media services provider with a complex business model offering digital media services, print media services and other media services to our customers. Our three business segments provide a diverse scope of services to our customers with different types of advertisements through various distribution channels. Under our digital media services, we provide one-stop advertising solution package to our customers on various Digital Media Platforms, third parties' TV channels, Internet and physical advertising spaces. Under our print media services, we provide advertorial production and advertisement placement services to our customers and we sell publications including 100 Most Magazine and books published by our Group. Under our other media services, we generally offer sponsorship package to our customers in the events organised by us in which we also provide our stage performance and sell tickets to the audience. We are also involved in artistes management for our contracted artistes whom appear in advertisements that we produced and our events as well as other activities organised by third party customers. Apart from these three business segments, we also provide creative content mainly on our own media platforms and our respective fan pages of "100 Most" and "TVMost" on one of the most popular third party social media platforms, which facilitate our content distribution and allow viewers of our fan pages to share the content published from time to time, thereby increasing

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## RISK FACTORS

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our exposure and expanding our reach to a broader base of audience. Please refer to the flowchart sets forth under the section headed “Business – Integrated advertising and media services” in this prospectus for details of the business model of our integrated advertising and media services. Our operating results depend on the interplay of our services and the successful distribution and popularity of our creative content published on our own media platforms and other third party media platforms. If we are unable to maintain our performance in each or any part of our integrated business model or our services and creative content offerings no longer interplay in an effective manner, our business, financial performance and prospects could be adversely affected.

In addition, the advertising and media market experiences rapid changes in viewer and customer preferences and tastes. Our popularity and brand image may be negatively affected if the advertising contents or creative content offered or the media channels that we used are unable to meet viewer and customer expectations. Historically, we have expanded our service offerings and our content distribution channels in order to meet with the changing viewer and customer preferences and to capture a broader base of viewers. Given the subjective nature of the advertising and media business and the rapid change in the market trend, there is no assurance that our services or creative content will continue to be able to capture, anticipate or respond timely to viewer or customer preferences. If we fail to do so, our business, results of operations and financial condition could be materially affected.

Furthermore, the advertising and media industry is characterised by rapidly evolving technologies. We rely on the Internet and third party social media platforms to publish most of the advertisements and creative content that we made during the Track Record Period. If there is a decline of the use of social media platforms or a material change of the viewer behaviours that our Group is unable to adapt to, we could lose our customers and our revenue and growth could be adversely affected.

***We heavily rely on social media platforms for publication of our creative content which are considered as the advertisement distribution platforms among our customers and any decline in usage of such social media platforms may materially affect our results of operations***

During the Track Record Period, we published most of our creative content on our respective fan pages of “100 Most” and “TVMost” on one of the third party social media platforms and our “TVMost” website and mobile application. Most of the advertisements (including those produced by our Group and third parties) were placed on the third party social media platforms. As such, our digital media services business relies significantly on the use of social media platforms as the advertisement distribution platforms among our customers.

Our target audience would sign up for an account on those social media platforms on terms provided by such platforms. Users of these media platforms would also have to follow user policies, such as complying with certain privacy protection measures and rules on appropriate content.

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## RISK FACTORS

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In January 2018, it was announced by one of the third party social media platforms that there will be changes made to the newsfeed settings on its platform which will in general prioritise posts of social nature over posts that are commercial in nature. For further details of the changes and our Directors' view on its impact on our Group's operation and financial position, please refer to the section headed "Business – Integrated advertising and media services – (A) Digital media services – Recent change in policy on a third party social media platform". We cannot assure you that there will not be any further changes on the newsfeed settings on or other policies of the third party social media platform which may materially affect our Group and/or may benefit our competitors. If we fail to appreciate and/or underestimate the extent of any effect that will be brought upon our Group in relation to the changes in the newsfeed settings, we may experience material impact on our operation and financial position.

If there are any further changes to the terms and user policies, such as changes in user privacy settings or control of the content published or material alteration on rules of content control, users of these social media platforms, which are also our target audience, may not continue to subscribe to, or use these platforms. This may lead to loss of our target audience. Any reduction in the popularity of our website and the social media platforms will adversely affect our operation. Additional costs and time may be incurred for seeking a different or new platform to publish our advertisements. In such event, our business operation and financial performance can be materially affected.

In addition, our business development generally depends on the deepening of the digitalisation trend and the growing use of social media platforms among the public. If there is a decline of the use of social media platforms and/or a particular platform which our Group heavily relies on or a material change of the social media reader behaviours and user preferences that our Group is unable adapt to, our customers may be reluctant to continue to advertise their products through online platforms and our business and results of operations could be adversely affected.

### *Our business is highly sensitive to changing viewer preferences*

Our business focuses on the provision of advertisement and publication content which is highly related to market trends and social environment. Therefore, the demand of our services may be adversely affected by the preferences of the ultimate consumers of our advertisements and publications. We deliver creative content featuring our own distinctive style which are widely receptive and constantly sparking discussions among the broader community in Hong Kong. If there is any change of such viewer preferences, our target audience may opt for advertisements and content from our competitors who are more sensitive to the moving trends. If our audience loses interest in our advertisement and publication content, our business, results of operations and financial conditions could be adversely affected.

### **If we fail to keep up with the rapidly changing technologies, we could lose our customers and our business and results of operations could be adversely affected**

The advertising and media industry is characterised by the changing technology needs of our customers and the ultimate consumers. Our customers may require us to use new

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## RISK FACTORS

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technologies in the execution of our engagements, such as the design, shooting, editing and cutting of the advertisements. We are required to quickly and cost-effectively adapt to the new technologies if our customers begin to shift to the use of such technologies but we cannot assure you that we will be able to do so. We may not be able to timely respond, or at all, to these changing technological preferences to ensure our services are competitive. If we fail to implement such changes, or fail to do so in a timely manner, we could lose our customers and our business and results of operations could be adversely affected.

***If we fail to attract, recruit or retain our key personnel including our executive Directors, senior management and other key employees, our ongoing operations and growth could be affected***

The success of our business depends to a large extent on the collective efforts, experience and creativity of our key personnel including (i) our executive Directors, being Mr. Iu, Mr. Luk and Mr. Tsui, (ii) our senior management team and (iii) other key employees. Our Key personnel leads our operation teams in each of our business segments, including our art director, associate art director, publishing manager, creative manager, digital managers and assistant digital manager.

Our executive Directors are generally responsible for formulating business strategies and development plans of our Group, participating in the decision-making process of our Group, assessing the resources required to undertake projects and approving the creative works collectively produced by our operation teams. They also participate in generating creative ideas for large-scale and/or key projects. Our senior management team and other key personnel are responsible for the daily management and operation of our operation teams, including (i) sales and marketing; (ii) design and production; and (iii) editorial and publication teams. The operation teams would also collaborate with each other closely on a daily basis to provide the services tailored to the needs of our customers. For details of the work allocation arrangements across our different operation teams, please refer to the section headed “Business – Our operation teams and key personnel” in this prospectus. There is no assurance that these key personnel will not leave our Group upon expiration of their respective contracts or terminate the contracts before the respective terms end. The loss of any of our key personnel could be detrimental to our ongoing operations.

Our success also depends on our ability to attract and retain personnel in order to sustain our existing operations as well as our future growth. Our Directors are of the view that, over the years, our Group has cultivated a collegial working culture and environment in which our employees can and are willing to proactively initiate and exchange their creative ideas. In addition, our Group encourages our staff members to work collectively across different operation teams and take ownership of the projects that they are responsible for. We also provide opportunities for our employees to participate in projects covering a variety of media services in different scales. However, we cannot assure that our Group will be able to successfully attract, recruit or retain these key personnel. If we are unable to retain any of our key personnel or fail to find any suitable and capable replacements in a timely manner, our operations will be adversely hindered which may also consequently affect our financial performance.

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***Our business depends on our strong brand names and any unfavourable customer feedback or negative publicity could adversely affect our brands***

We believe that our brands “100 Most” (100毛) and “TVMost” (毛記電視) have significantly contributed to the growth and success of our business. Our Directors believe that strong awareness of our brands has built up our customers’ confidence in the advertising and media services we provide and lowered our marketing costs, and hence, our ability to maintain and continue to promote our brands is critical to retain and expand our base of customers, suppliers and target audience.

Our brands may be adversely affected if our public image or reputation is damaged by negative publicity. Complaints from our customers or target audience or negative publicity about our creative content or publications could have a significant impact on our reputation and popularity of our creative content.

We cannot guarantee that negative reports about our brands will not occur in the future and these may cause serious damage to our brands, reputation and business operation. If we are unable to maintain, protect or enhance our brand image against negative publicity or if our brand is not accepted by our customers or target audience, this could have a material adverse affect on our business, financial position and results of operations.

***Our business model is generally project-based and we generally do not enter into long term agreements with most of our customers. If we fail to retain existing customers or attract new customers, our results of operations could be materially affected***

Our business model is in general project-based, where we charged our customers fixed fees for our integrated advertising and media services during the Track Record Period. As such, our revenue is generally non-recurring in nature. In addition, we generally do not enter into long term agreements with most of our customers. Our success depends on our ability to maintain our relationships with existing customers and to develop new opportunities with potential customers. As our contracts with our customers are generally entered into on a project basis, our revenue may fluctuate depending on the number of projects we are able to secure and we may have limited visibility as to our future revenue streams.

We cannot assure you that our customers will continue to procure our services or that we will be able to replace, in a timely or effective manner, departing customers with potential customers that deliver comparable level of revenue. If we fail to retain our existing customers or increase advertisers’ utilisation of our services, or to provide innovative advertising and media services and pricing structures to attract new customers, the demand for our services will not grow and may even decrease, which could materially and adversely affect our ability to maintain or increase our revenue and profitability. In addition, we cannot assure that we will be able to sustain our growth of revenue and gross profit in the future as compared to the Track Record Period as it is highly dependent on our ability to market our services and at the same time keeping the costs of operations low. Our operations and financial results would be adversely affected if we are not able to secure sufficient number of new projects.

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***If we are unable to secure engagements from our customers, in particular well-established brands, our business and financial performance may be adversely affected***

During the Track Record Period, our customers in digital media and print media services segments comprised a number of well-established multinational brands. For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, our revenue generated from our five largest customers amounted to approximately HK\$15.8 million, HK\$24.8 million, HK\$36.1 million and HK\$22.7 million, representing approximately 65.8%, 45.2%, 37.9% and 41.0% of our revenue for the relevant periods, respectively.

Our ability to secure engagements is one of the important factors for our success as these engagements and customers form an integral part of our customer base and project portfolio. Being able to retain and maintain our business relationships with these customers would promote and strengthen our brand image and reputation in the industry, thereby enabling us to capture more revenue, build a wider spectrum of clientele and expand our market share.

There is no guarantee that we will be able to continuously secure engagements with our target customers, such as well-established brands. In the event that we are unable to succeed in maintaining business relationships with our existing customers or securing business opportunity from new customers, our competitive advantage may be weakened and results of operation may be adversely affected. Our ability to secure large-scale and/or high profile projects may therefore be materially and adversely impacted, thereby affecting our business, financial performance and results of operations.

***If we fail to achieve the marketing objectives of our customers, we could lose our customers and our revenue could decline***

We offer services to serve the marketing objectives of our customers. In general, the marketing objectives of our customers will be discussed among our production team before the commencement of a project and our advertising services may be fine-tuned with reference to feedback from our customers. We are expected to provide effective integrated advertising and media services that can achieve the desired marketing objectives of our customers, such as reaching a specific number of visitors within a given timeframe. To attract the target audience, we have constantly updated our creative content and keep ourselves abreast of constantly changing viewer preferences. If our advertising services are not able to achieve the desired marketing objectives, our relationships with our customers, reputation and revenue will be adversely affected.

In addition, our Group may not be able to manage the growth of our business effectively and in a controlled manner. Over-expansion may strain our limited managerial, operational and financial resources, which may have a material adverse impact on the stability of our operation and financial conditions.

***Some of our creative content published through digital and print media platforms may expose us to potential liabilities and litigations***

During the Track Record Period and up to the Latest Practicable Date, we had published creative content through a number of digital and print media platforms, including our

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“TVMost” website and mobile application, third party social media platforms, our magazines and book publications. Some of the creative content we have published may include parody works, for instance, cinematic adaptations, lyrics modifications and adaptations of photographs and/or content from public domain.

We have ensured, and will ensure, all necessary permissions and/or licences are obtained and such fees required for the use of copyrighted materials are paid, if necessary. However, we cannot assure you that we will not receive complaints or face any disputes or litigations raised by third parties in relation to intellectual property matters. There is also no assurance that we are able to defend ourselves in such disputes or litigations and we will not be found liable for copyright and/or trademark infringement, accusation of defamation or infringements of other third parties’ rights. In addition, we cannot assure you that our creative content will appeal to our audience. We cannot fully ascertain our target audience’s preference and/or their reception of our content and we may not be able to produce creative content that appeals to all of our target audience. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material litigation and/or claim in relation to the content we had published through the Digital Media Platforms and our print media platforms. If, in the future, we are threatened or involved in litigation proceedings, other administrative proceedings or arbitration, if any, in relation to infringement of intellectual property rights of others or other issues, such proceedings, regardless of their merits, could be time-consuming and costly to defend and may divert our management’s attention and resources. Any negative views or feedbacks might affect our reputation, cause our customers not to opt for our services which will affect our financial performance.

***Decrease in demand for our print media services may cause our revenue to decline and our business and results of operations may be materially and adversely affected***

During the Track Record Period, we provided print media services including advertorial production and advertisement placement services and publication services. During the Track Record Period, our revenue generated from our print media services accounted for approximately 99.3%, 41.4%, 10.3% and 8.3% of our revenue, respectively, recording a declining trend as a result of decreasing demand for our publications.

According to the Ipsos Report, the average weekly hours spent on reading by people in Hong Kong is significantly less than those spent on watching television and using computer and Internet unrelated to work. Following the emergence of social media and the increasing number of consumers using various mobile devices such as smartphones and tablets since 2012, the growth of online advertising industry in Hong Kong is expected to continue in the future. The print media industry is anticipated with a slight growth but in general with decreasing preference of print media. If the demand for print media services continues to decrease, it may have a material adverse effect on our business, financial condition and results of operations.

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

We plan to achieve our business growth by implementing a series of strategies, such as enhancing our production of creative content on our media platforms and strengthening our

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business by increasing our sales and marketing efforts. Please refer to the sections headed “Business – Business strategies” and “Future plans and use of proceeds” in this prospectus for further details. There is no guarantee that we will be able to implement any of our business strategies and future plans successfully, which in turn are subject to uncertainties and changing market conditions. Our plans for development and business expansion are formulated based on assumptions on the occurrence of certain future events, which may or may not materialise. We may also not have timely access to adequate capital financing when suitable business opportunities arise. Further, there is also no assurance that any of our business strategies will yield the benefits or achieve the level of profitability we anticipate. The profit from our implemented plans may not be sufficient to justify the start-up expenses and the increased operating costs.

***Our business solely operates in a single geographical market and any adverse economic, social and/or political development affecting the market may have a material adverse impact on our operations***

During the Track Record Period and up to the Latest Practicable Date, our business operation was solely based in Hong Kong and we do not have a diversified geographical coverage in terms of operations. Our business is therefore susceptible to any incidents or factors which may affect the stability of the economy, social and political conditions in Hong Kong. Any adverse incidents, such as economic recession, extensive social unrest, strike, riot, civil disturbance or disobedience, may cast uncertainty over the suitability of the business environment in Hong Kong. Given the relatively small geographical size of Hong Kong, any of such incidents may have a widespread effect on our business operations. As a result, our business, results of operations and financial conditions may be materially and adversely affected.

***We are exposed to credit risk under our business operations, and any material payment delays or defaults by our customers may negatively affect our business, financial position and results of operations***

We are subject to credit risk associated with our customers and our profitability and cash flow may be affected if our customers fail to make timely payments for our provision of services to them. During the Track Record Period, we granted a credit period ranging from 0 to 90 days to our customers. Our policy for impairment on trade receivables is based on an assessment of the recoverability of the receivables. As at 31 March 2015, 2016 and 2017 and 30 November 2017, our trade receivables which were past due but not impaired amounted to approximately HK\$2.7 million, HK\$4.5 million, HK\$7.3 million and HK\$13.1 million, respectively. These balances were related to a number of independent customers with no recent history of default. The maximum exposure to credit risks as at each of the dates indicated above is the carrying value of each class of the receivables. For further details, please refer to note 17 of the Accountant’s Report in Appendix I to this prospectus.

If a customer delays payment in part or at all, our cash flow and working capital may be adversely affected. Even if we are able to eventually recover any losses incurred pursuant to the terms of the contract, the recovery process is usually time-consuming and requires financial

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and other resources to settle the disputes. Furthermore, there can be no assurance that any outcome will be in our favour or that any dispute will be resolved in a timely manner. Failure to secure adequate payments in time or to manage past due debts effectively could have a material and adverse effect on our business, financial position and results of operations.

During the Track Record Period, we have not encountered any material delay in payment by our customers. For the year ended 31 March 2017, we recorded bad debts of approximately HK\$150,000 related to an independent customer, involving an immaterial portion of approximately 1.9% of our administrative expenses for the same period. However, there can be no assurance that any future payment from our customers will be made on time. Any failure by our customers to make payment to us on a timely manner may have an adverse effect on our future operating results and financial conditions.

***The quality of work by our independent subcontractors and suppliers may affect our sales and damage our reputation***

During the Track Record Period, we engaged third party photographers and production houses as subcontractors to assist in production of advertisement in print and digital format, including photo and video shooting, and subsequent video editing. Our design and production team conducts constant review and collects feedbacks from our customers to assess the quality of work of these subcontractors. However, the services provided by these subcontractors could be interrupted by unforeseen events beyond our control, such as natural disasters, social unrest and labour strikes. During the Track Record Period, we also relied on distributors to distribute our magazines and book publications and printing houses to print our publications. We cannot assure that there will not be delay in printing and distribution of our publications and any material disruption in their business may adversely affect the operation of our print media services segment. If there is any delay in printing or distribution, it may cause damage to our brands and we may not be able to publish our customers' advertorial content in time. This will materially affect our relationships with our customers and our Group's business operations.

Occurrence of any of such events may result in loss of turnover and damage to our reputation and hence may materially and adversely affect our reputation, business, financial conditions and results of operations.

***Our business relies on certain major suppliers for printing services and the Book Distributor and Magazine Distributor***

Among our five largest suppliers, those provided printing services for our magazines and book publications accounted for, in aggregate, approximately 46.9%, 21.7%, 7.6% and nil, respectively, of our total cost of sales during the Track Record Period. We rely on these suppliers for the printing of our publications and our Book Distributor and Magazine Distributor for distribution throughout Hong Kong and Macau, where applicable. During the same period, the Book Distributor and Magazine Distributor were solely responsible for the distribution of our books and magazines, respectively.

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We cannot assure that there will not be any dispute with our major suppliers and the distributors, or that we will be able to maintain business relationships with our existing suppliers and distributors. Although we have entered into long term agreements with some of our suppliers, there is no guarantee that such agreements will not be early terminated or we may renew the term of the agreements upon expiry. If we cannot locate alternative suppliers or distributors for replacement in a timely manner and/or on comparable commercial terms, our business operation may be hindered, which would adversely affect our profitability. In addition, even if we are able to locate alternative suppliers and/or distributors, we cannot assure that the quality of their services provided will be comparable to those suppliers, our Book Distributor and Magazine Distributor.

The stability of operations and business strategy of these major suppliers and distributors, which are beyond our control, will also affect us. Any material disruption to their operations due to causes such as weather, riots, natural disasters, fire or other technical or mechanical problems could adversely affect our sales and procurement, such as causing non-delivery or delay of delivery of our books and magazines and delay in publishing such publications. If that occurs, our results of operations and financial performance could be adversely affected.

***Most of the agreements with our contracted artistes will expire in 2020 and 2021, any failure to renew their contracts will materially affect our performance and operations***

During the Track Record Period, we had entered into artiste management contracts with our artistes. The artiste management fees generated from the participation in marketing activities by our artistes which were organised by third party customers was nil, approximately HK\$0.4 million, HK\$0.5 million and HK\$0.2 million, representing nil, approximately 0.6%, 0.5% and 0.4% of our revenue, respectively, during the Track Record Period. For more details of our artistes management business, please refer to the section headed “Business – Integrated advertising and media services – (C) Other media services – Artistes management” in this prospectus. As at the Latest Practicable Date, we had entered into 19 artiste management contracts with our contracted artistes. Out of the 19 contracts, four and seven of them will expire in 2020 and 2021 respectively.

Our Directors consider that our target audience would associate our brands with our contracted artistes. If we are unable to renew the contracts with our contracted artistes due to a more attractive remuneration package offered to them from our competitors, we may subsequently lose our audience. Some of our contracted artistes are engaged by our customers to act as their product ambassadors. We may not be able to secure our customers’ loyalty due to the loss of their product ambassadors if we are unable to renew the contracts with such contracted artistes. In such event, it will materially affect our financial performance and operations.

***Any unauthorised use of our brand names or any other intellectual property rights by our competitors or third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect our business reputation and financial performance***

We believe that our brand and intellectual property rights are critical to the success of our Group. Our Directors believe that many of our customers and target audience are attracted to

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us because of our strong brand names and reputation. Our continuing success and growth of both of our print media services and digital media services segments therefore depend on our ability to protect and promote our brands, trademarks, copyright and other intellectual property rights.

During the Track Record Period, we own the copyrights for all of our print media and digital media content. We also own certain domain names and trademarks which are set out in the paragraph headed “B. Further information about our business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Any unauthorised use of our intellectual property by our competitors and third parties may adversely affect our business and reputation. Our competitors and other third parties may imitate our brands or infringe our trademarks by using our brand names and trademarks on their products. In addition, infringers may use our copyrighted materials, such as our videos published on the Digital Media Platforms, our 100 Most Magazine and book publications without authorisation. Preventing such unauthorised use of intellectual property is difficult and significant amount of resources had to be put in to prevent infringements.

We generally rely on trademarks and copyrights laws to protect our intellectual property rights. However, the laws in certain countries may not offer intellectual property protection to the same extent as the laws of Hong Kong. If any suspected infringement arises in Hong Kong and/or overseas, litigation may be necessary to enforce our Group’s rights and to protect our intellectual property rights. Such litigation could result in substantial costs and diversion of resources.

***The organisation of events involves risks that may result in accidents, which in turn may have a material adverse effect on our financial conditions and results of operations***

During the Track Record Period, we held two major events, namely the Awards Ceremony and the Anniversary Ceremony and we will hold the 2018 April Talk Show in the Queen Elizabeth Stadium in Hong Kong. We intend to expand our events organisation business in the future to broaden our revenue base. The events we organised and plan to organise in the near future may include public or private events of varying scale. The organisation and management of these events involve risks of causing accidents, which could result in the loss of human life or personal injuries to audience, performers, artistes or our staff, significant damage to equipment and property and financial and reputational losses to us.

We had subscribed for insurance for our events previously held. However, we cannot assure you that the coverage would be adequate to cover all the claims that might arise. The occurrence of any of these events may require us to cover the damages with our own funds, thereby increasing our costs and reducing our revenue. In the future, we may face claims due to personal injuries or property damages in the events organised by us. A successful claim against us may result in financial and reputational losses to us. Even if unsuccessful, such a claim could cause unfavourable publicity and would require substantial costs to defend, which will divert the time and attention of our management. As a result, we may suffer financial losses or reputational losses in connection with the risks involved in the organisation of events which in turn may have a material adverse effect on our financial conditions and results of operations.

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***We rely on analysing system from social media platforms to analyse our performance and to plan for our advertising strategies, any failure or malfunction of the system will affect our performance and operations***

The social media platforms on which our creative content were published provide a system to analyse the performance of the creative content free of charge. Such system provides data analytics indicating our target audience's preferences including duration for viewing our contents, their interests and other information regarding their viewing patterns. We utilise the analysing system to understand the latest trends in Hong Kong, plan the advertising strategies for our customers and package the products of our customers based on the data available. Our customers may target certain age groups when advertising certain products and they may request our team to analyse the market trend and produce tailor-made advertisements that meet our customers' marketing objectives.

Since we rely on the analysing system provided by the social media platforms, any failure or malfunction of the system will lead to a misjudgment of the target audience's preferences or if we fail to interpret the data analytics correctly, we may not be able to produce advertisements that capture the target audience's interests and effectively advertise our customer's products. Therefore, any failure in the system will lead to material impact on our performance and operations.

***We may experience breakdowns in our IT systems that could damage our customer relations and expose us to liability***

We depend heavily on the stable operation of our IT systems including software, processing systems and telecommunication networks. A system outage or data loss could have a material adverse effect on our business, financial condition and results of operations. Not only would we suffer damage to our reputation in the event of a system outage or data loss, such incidents may also affect our relationships with our customers as we will not be able to advertise their products on the designated social media platforms. To successfully operate our business, we shall be able to protect our processing and other systems from disruptions, including fire, unauthorised entry, computer viruses and IT system failures that are beyond our control. In such circumstances, our business operation and our relationships with our customers may be materially and adversely affected.

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

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

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## RISK FACTORS

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### RISKS RELATING TO OUR INDUSTRY

#### **We operate our business in a regulated industry**

Products advertised under both of our print media services and digital media services segments are subject to a range of laws, rules and regulations enacted by governmental authorities, in particular the Trade Descriptions Ordinance (Chapter 362 of the laws of Hong Kong) and Copyright Ordinance (Chapter 528 of the laws of Hong Kong). We are also required to register our books and magazines under the Registration of Local Newspapers Ordinance (Chapter 268 of the laws of Hong Kong), Newspaper Registration and Distribution Regulations (Chapter 268B of the laws of Hong Kong) and Book Registration Ordinance (Chapter 142 of the laws of Hong Kong). We are subject to codes and conduct and practice guidelines implemented by those authorities. Such regulations primarily relate to the content of our advertisement and printed publications. Please refer to the section headed “Regulatory overview” in this prospectus for further details of the laws and regulations governing our industry.

Given our obligations to comply with the relevant mandatory requirements with respect to our operations, we may incur ongoing costs on our compliance with the laws and regulations, such as reviewing the relevant content. Any non-compliance, depending on the nature and severity, may result in penalties and private or public reprimand. Legal proceedings may be instigated against us with respect to any non-compliance, which may divert our managerial and financial resources in dealing with the investigations. In addition, any non-compliance may also be reported by media and such negative media coverage will heavily damage our reputation and affect our image to our existing and potential customers. We may not be able to respond to changes in the regulatory regime in a timely manner and any unfavourable changes or tightening of government policies in Hong Kong may significantly affect our operations.

Any of the above may have a material and adverse impact of our business prospects, results of operations and financial position.

#### **We are in the highly competitive media services industry and may not be able to successfully compete with our competitors which could reduce our market share and adversely affect our financial performance**

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

Our Group competes with other competitors in Hong Kong primarily on the following bases:

- brand recognition;

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- quality of services;
- effectiveness of sales and marketing efforts;
- creativity in design and content;
- price;
- strategic relationships; and
- hiring and retention of talented staff.

Our Group's existing competitors may in the future achieve greater market acceptance and recognition and gain a greater market share. It is also possible that potential competitors may emerge and acquire a significant market share. If existing or potential competitors develop or offer services that provide significant performance, price, creative or other advantages over those offered by us, our business, results of operations and financial conditions would be negatively affected. Our Group also competes with other creative content providers on media platforms such as newspapers, magazines, radio and television broadcast, for advertisers and advertising revenue.

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

### **The media services industry is subject to uncertainties which could affect our results of operations**

During the Track Record Period, we heavily relied on media services for our revenue. The growth of media services in Hong Kong is subject to many uncertainties. Not having traditionally invested or devoted a significant portion of their budget or expenditures or other available funds to advertising, some of our existing and potential customers may have limited understanding on advertising. They may not find online platforms such as websites, applications, mobile sites, social media platforms and search engines to be effective for promoting or showcasing their products and services comparing to the traditional forms of media, such as, print and broadcast media. Our Group's ability to generate and maintain certain level of revenue will depend on a number of factors, many of which are beyond our control, including but not limited to:

- the maintenance and enhancement of our brand names in a cost-effective manner;
- intensifying competition in advertising service industry and potential downward pressure on advertising prices;

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- limited quality advertising platforms;
- a change in governmental policy that would restrict and regulate our advertising services;
- the acceptance and/or attractiveness of online social media platforms as an effective way for advertisers to place advertisements; and
- the effectiveness of our marketing strategy, delivery, tracking and reporting systems.

### **We may face difficulties in complying with proposed amendments to the Copyright Ordinance**

The government of Hong Kong has introduced the Copyright (Amendment) Bill 2014 which contains, amongst others, the key legislative proposals that potentially impact our business operations. However, the Copyright (Amendment) Bill 2014 was yet to be passed as at the Latest Practicable Date. Please refer to the sub-section headed “Regulatory overview – Regulation of print media – Copyright Ordinance (Chapter 528 of the Laws of Hong Kong)” in this prospectus for further details of the Copyright Ordinance and the possible legal consequences in case of infringement. There is no certainty as to when the bill will be passed, whether the bill will be passed in its current form or further amended in the future, nor do we know the approach which the courts of Hong Kong and the Hong Kong Customs and Excise may take in interpreting and enforcing the new provisions if they are enacted as currently drafted. Therefore, the practical impacts and risks posed by the above legislative proposals are still unclear. We may face difficulties and may need to incur legal costs in ensuring our compliance with the rules. We may also inadvertently infringe the Copyright Ordinance and under such circumstance, we may be subject to fines and/or other penalties, incur substantial legal costs and may result in business disruption and/or negative media coverage, which potentially adversely affect our business, results of operations and reputation.

### **RISKS RELATING TO THE SHARE OFFER**

#### **There would be a negative impact on the financial results of our Group for the year ending 31 March 2018 due to the non-recurring listing expenses**

Due to the non-recurring expenses in connection with the Listing, there would be a negative impact on the financial results of our Group for the year ending 31 March 2018. During the three years ended 31 March 2017, we did not incur any listing expenses. For the eight months ended 30 November 2017, we incurred and recognised listing expenses of approximately HK\$9.2 million. The total estimated expenses for the Listing is approximately HK\$21.4 million, of which approximately HK\$14.3 million is expected to be charged to our consolidated statements of comprehensive income for the year ending 31 March 2018 in total. Our Directors would like to emphasise that such listing expenses are a current estimate for reference only and the final amount to be recognised to the income statement of our Group for the year ending 31 March 2018 is subject to adjustments based on audit and the then changes in variables and assumptions.

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## **RISK FACTORS**

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

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal with, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for the products or the service costs of our Group, the liquidity of the market for the Shares, the general market sentiment regarding the creative advertising and media service industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

**Investors of the Shares will experience immediate dilution as the Offer Price is higher than the net tangible book value per Share**

The Offer Price of the Shares is higher than the net tangible book value per Share immediately prior to the Share Offer. Therefore, investors of our Shares in the Share Offer will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. If we issue additional Shares in the future, purchasers of our Shares may experience further dilution.

**Investors may experience dilution if our Group issues additional Shares in the future**

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

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

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

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot

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## **RISK FACTORS**

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predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

### **RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS**

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

Certain information and statistics contained in the section headed “Industry overview” in this prospectus are derived from the Ipsos Report compiled by Ipsos and other publicly available sources. While reasonable care has been exercised in the reproduction of such information, it has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of their respective affiliates or advisers and may not be accurate, complete or up-to-date. Our Directors make no representation as to the correctness or accuracy of such information and, accordingly, such information should not be unduly relied upon.

In addition, certain information and data contained in this prospectus are derived from market data provided by Ipsos. We believe that the sources of these information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, the information has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or their respective directors, affiliates or advisers or any other party involved in the Share Offer and no representation is given as to its accuracy.

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

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

Investors should note that one or more of these risks or uncertainties may materialise, or one or more of the underlying assumptions may prove incorrect.

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## RISK FACTORS

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### **Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

### **We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding, among others, our Group, our business, our Controlling Shareholders, our industry or the Share Offer**

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

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

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

### **UNDERWRITING**

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. Details of the terms of the Share Offer are described in the section headed "Structure and conditions of the Share Offer" and in the related Application Forms.

The Listing is sponsored by the Sole Sponsor and the Share Offer is lead managed by the Sole Lead Manager. The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is expected to be fully underwritten by the Placing Underwriters.

### **RESTRICTIONS ON SALE OF THE OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any such circumstances such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong. The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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**Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.**

Prospective applicants for the Offer Shares should consult their financial advisors and seek legal advice, as appropriate, to inform themselves of and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange, no such listing or permission to deal is being or proposed to be sought.

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

### **HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY**

All the Offer Shares will be registered on the Hong Kong branch register of members to be maintained by Boardroom Share Registrars (HK) Limited. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained by Maples Fund Services (Cayman) Limited in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential applicants for the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Underwriters, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Offer Shares or the exercise of their rights thereunder.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **ROUNDING**

Any discrepancies in any table between totals and sum of amounts listed therein are due to rounding.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Details of the structure of the Share Offer are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.

### **PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES**

The procedure for applying for the Public Offer Shares is set out in the section headed “How to apply for the Public Offer Shares” in this prospectus and on the related Application Forms.

### **OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares and our Company’s compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares are expected to commence on or about 28 March 2018. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 1716.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **CURRENCY TRANSLATIONS**

Unless otherwise specified, conversion of US\$ into HK\$ in this prospectus is based on the exchange rate set out below (for illustration purposes only):

US\$1.00 : HK\$7.80

No representation is made that any amounts in US\$ and HK\$ can be or could have been converted at the relevant dates at the above exchange rate at any other rate or at all.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential address	Nationality
<b>Executive Directors</b>		
Mr. Iu Kar Ho (姚家豪)	Flat D, 12/F, Block 1 Eightland Garden, Tai Po Hong Kong	Chinese
Mr. Luk Ka Chun (陸家俊)	Flat D, South Court, 30/F Tower 5, Phase 3 Festival City No. 1 Mei Tin Road Tai Wai, Shatin New Territories Hong Kong	Chinese
Mr. Tsui Ka Ho (徐家豪)	Ft B6 2/F E Blk (Ft B5-B8) 17 1/2 M/S Castle Peak Road Pearl IS Tuen Mun New Territories Hong Kong	Chinese
<b>Independent non-executive Directors</b>		
Mr. Leung Wai Man (梁偉文)	Valais Phase 2 Zurich Avenue House 11 33 Kwu Tung Road Sheung Shui, New Territories Hong Kong	Chinese
Mr. Ho Kwong Yu (何光宇)	Flat 4, 21/F, Hing Lam House Kwong Lam Court, Shatin New Territories Hong Kong	Chinese
Mr. Leung Ting Yuk (梁廷育)	Room 1218, King Nam House King Lam Estate Tseung Kwan O Hong Kong	Chinese

For details of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

<b>Sole Sponsor</b>	<b>Ever-Long Securities Company Limited</b> <i>a licensed corporation under the SFC to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO</i> 18/F, Dah Sing Life Building 99-105 Des Voeux Road Central Hong Kong
<b>Sole Bookrunner, Sole Lead Manager and Underwriter</b>	<b>Ever-Long Securities Company Limited</b> 18/F, Dah Sing Life Building 99-105 Des Voeux Road Central Hong Kong
<b>Other Public Offer Underwriters</b>	<b>CNI Securities Group Limited</b> 10/F, Sun's Group Centre 200 Gloucester Road Wanchai Hong Kong  <b>Chief Securities Limited</b> 14/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
<b>Other Placing Underwriter</b>	<b>CNI Securities Group Limited</b> 10/F, Sun's Group Centre 200 Gloucester Road Wanchai Hong Kong
<b>Legal adviser to our Company</b>	<i>As to Hong Kong law</i> <b>P.C. Woo &amp; Co.</b> Room 1225 12/F, Prince's Building 10 Chater Road Central Hong Kong  <i>As to Cayman Islands law</i> <b>Maples and Calder (Hong Kong) LLP</b> 53/F., The Center 99 Queen's Road Central Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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<b>Legal adviser to the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters</b>	<i>As to Hong Kong law</i> <b>Deacons</b> 5/F, Alexandra House 18 Chater Road Central Hong Kong
<b>Reporting accountant</b>	<b>PricewaterhouseCoopers</b> <i>Certified Public Accountants</i> 22/F, Prince's Building Central Hong Kong
<b>Industry consultant</b>	<b>Ipsos Limited</b> 22/F Leighton Center 77 Leighton Road Causeway Bay Hong Kong
<b>Compliance adviser</b>	<b>Ever-Long Securities Company Limited</b> 18/F, Dah Sing Life Building 99-105 Des Voeux Road Central Hong Kong
<b>Receiving bank</b>	<b>The Bank of East Asia, Limited</b> 10 Des Voeux Road Central Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	PO Box 309, Uglan House Grand Cayman, KY1-1104 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b>	Unit 5, 1/F, Block B Tung Chun Industrial Building 11-13 Tai Yuen Street Kwai Chung, New Territories Hong Kong
<b>Company's website address</b>	<b><a href="http://www.mostkwaichung.com">www.mostkwaichung.com</a></b> <i>(the contents of the website do not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Lo Tai On, CPA Unit B, 1st Floor, Neich Tower 128 Gloucester Road Wanchai Hong Kong
<b>Authorised representatives</b>	Mr. Iu Kar Ho Flat D, 12/F, Block 1 Eightland Garden, Tai Po Hong Kong  Mr. Luk Ka Chun Flat D, South Court, 30/F Tower 5, Phase 3 Festival City No. 1 Mei Tin Road Tai Wai, Shatin New Territories Hong Kong
<b>Compliance officer</b>	Mr. Luk Ka Chun Flat D, South Court, 30/F Tower 5, Phase 3 Festival City No.1 Mei Tin Road Tai Wai, Shatin New Territories Hong Kong

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## CORPORATE INFORMATION

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<b>Audit committee</b>	Mr. Ho Kwong Yu ( <i>chairman</i> ) Mr. Leung Ting Yuk Mr. Leung Wai Man
<b>Remuneration committee</b>	Mr. Leung Ting Yuk ( <i>chairman</i> ) Mr. Ho Kwong Yu Mr. Leung Wai Man
<b>Nomination committee</b>	Mr. Leung Ting Yuk ( <i>chairman</i> ) Mr. Ho Kwong Yu Mr. Leung Wai Man
<b>Principal share registrar office</b>	Maples Fund Services (Cayman) Limited PO Box 1093 Boundary Hall, Cricket Square Grand Cayman KY1-1102 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Boardroom Share Registrars (HK) Limited 2103B, 21/F 148 Electric Road North Point Hong Kong
<b>Principal banker</b>	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

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## INDUSTRY OVERVIEW

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*We have extracted and derived the information and statistics in the section below, unless otherwise specified, from the Ipsos Report. We believe that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Share Offer, and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.*

### SOURCE AND RELIABILITY OF INFORMATION

#### Background of Ipsos

We commissioned an independent market research company, Ipsos, to assess the industry development trends, market demand and competitive landscape of the online advertising industry and magazine and book publishing industry in Hong Kong, at a fee of HK\$430,000 and our Directors consider that such fee reflects the market rates. Ipsos is an independent market research and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. It has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Founded in Paris, France in 1975 and being publicly-listed on the Paris Stock Exchange (NYSE Euronext) since 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs approximately 16,600 personnel worldwide across 88 countries.

#### Research methodology

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by (i) conducting desk research; (ii) performing client consultation; and (iii) conducting primary research by interviewing key stakeholders and industry experts. The information and statistics set forth in this section are extracted from the Ipsos Report.

#### Assumptions and parameters used in the Ipsos Report

Forecast data was projected based on historical data regarding macro-economic factors as well as industry-specific drivers and the industry development. The bases and assumptions used in the market sizing and forecasting model in the Ipsos Report include (i) the global supply and demand of online advertisement and magazine and book publishing industry are assumed to be stable and without shortage over the forecast period; and (ii) the external environment is assumed to have no shocks, such as financial crisis or natural disasters, that will influence the demand and supply of the advertising industry and publishing industry in Hong Kong from 2017 to 2021.

Based on the above, our Directors and the Sole Sponsor are satisfied that the disclosure of future projection and industry data included in this section is not misleading.

The following parameters have been taken into account in the preparation of the Ipsos Report:

- gross domestic product (“GDP”) by creative sectors in Hong Kong;
- revenue of the advertising industry by segment in Hong Kong from 2011 to 2021;
- Internet penetration rate and number of Internet users in Hong Kong from 2011 to 2021;

## INDUSTRY OVERVIEW

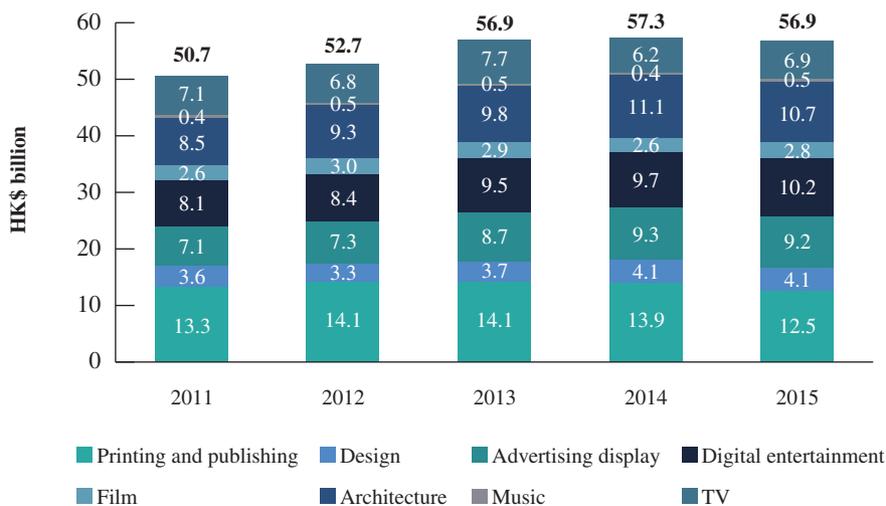
- number of mobile subscribers and mobile penetration rate in Hong Kong from 2011 to 2021;
- revenue of the online advertising in Hong Kong from 2011 to 2021;
- number of companies engaged in the (i) printing and publishing industry, and/or (ii) magazine publishing industry in Hong Kong from 2011 to 2016;
- revenue of the publishing market in Hong Kong from 2011 to 2021; and
- revenue of the book publishing market in Hong Kong from 2011 to 2021.

### NO ADVERSE CHANGE IN MARKET INFORMATION

Our Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there is no material adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

### MARKET OVERVIEW OF THE CREATIVE SECTORS IN HONG KONG

The chart below sets forth the GDP by creative sectors in Hong Kong from 2011 to 2015.



Source: Census and Statistics Department, HKSAR; Ipsos research and analysis

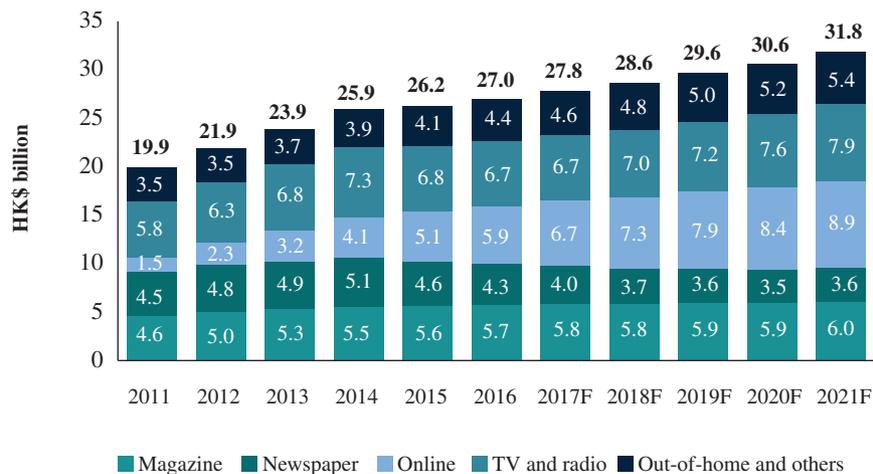
The total market size of creative industries in Hong Kong increased from approximately HK\$50.7 billion in 2011 to approximately HK\$56.9 billion in 2015 at a CAGR of approximately 2.9% over the past five years. Among the creative sectors, the sectors of advertising display, architecture and digital entertainment recorded the highest CAGR, representing approximately 6.7%, 5.9% and 5.9% respectively during the same period. In terms of value, the printing and publishing sector represented the largest single section recording approximately HK\$12.5 billion of GDP in 2015, but was declining and recorded a negative CAGR of approximately 1.6% in GDP from the value of approximately HK\$13.3 billion in 2011.

### MARKET OVERVIEW OF THE ADVERTISING INDUSTRY IN HONG KONG

Revenue of the advertising industry in Hong Kong increased rapidly from approximately HK\$19.9 billion in 2011 to approximately HK\$27.0 billion in 2016 with a CAGR of approximately 6.3%. In particular, the online advertising revenue has shown rapid growth from approximately HK\$1.5 billion in 2011 to approximately HK\$5.9 billion in 2016 with a CAGR of approximately 31.5%. The magazine advertising industry increased slightly with a CAGR of approximately 4.4%, valued at approximately HK\$5.7 billion in 2016 compared with approximately HK\$4.6 billion in 2011.

## INDUSTRY OVERVIEW

The chart below sets forth the revenue of the advertising industry by segment in Hong Kong from 2011 to 2021.

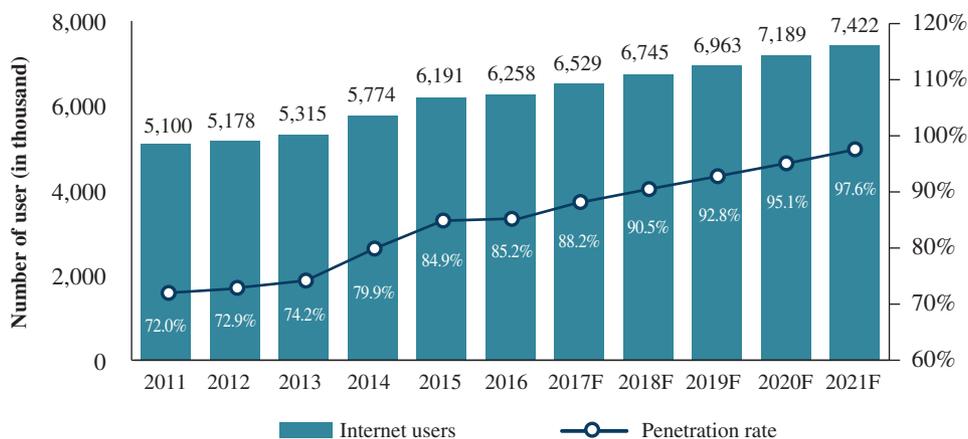


Source: Ipsos research and analysis

The rapid growth in the revenue of the online advertising is mainly attributable to the increase of smartphone usage and Internet penetration rate in Hong Kong. In 2016, mobile penetration rate in Hong Kong recorded approximately 232.1%. Concurrently, Internet penetration rate among Hong Kong residents was approximately 85.2% in the same year.

The excellent information and communication technology infrastructure of Hong Kong is expected to generate continuous growth of the online advertising market in the next five years. According to Invest Hong Kong (投資推廣署) under the Commerce and Economic Development Bureau, 4G mobile telecommunication technology services are widely deployed in Hong Kong and more than 30,000 public Wi-Fi will be installed around the city. Therefore, the revenue of the online advertising market is projected to increase from approximately HK\$6.7 billion in 2017 to approximately HK\$8.9 billion in 2021 at a CAGR of approximately 7.4%, while the magazine segment is expected to remain generally stable with a CAGR of approximately 0.9% for the same period.

### Number of Internet users and Internet penetration rate in Hong Kong



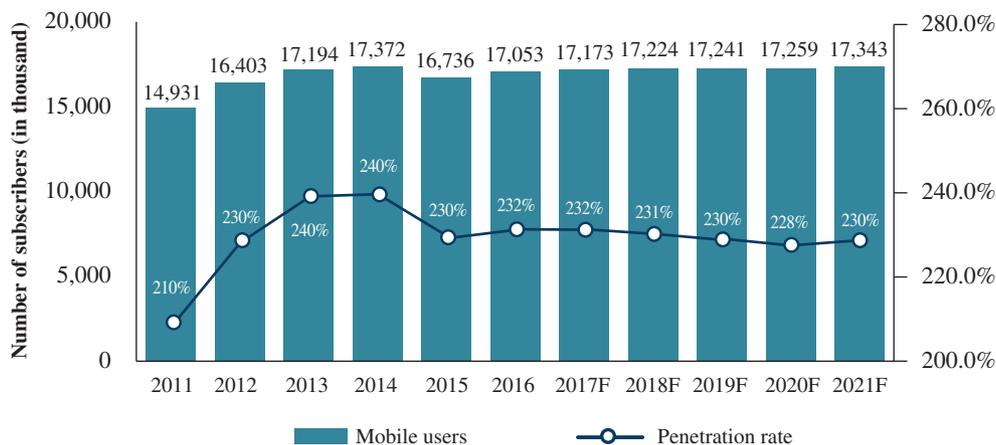
Source: International Telecommunication Union; The Economist Intelligence Unit; Ipsos research and analysis

The number of Internet users in Hong Kong reached approximately 6.3 million in 2016 and its penetration rate was at approximately 85.2%, which was one of the regions with the highest penetration rate in the world, driven by the variety of broadband Internet service

## INDUSTRY OVERVIEW

providers in the market. In addition, along with the strengthening Internet infrastructure in Hong Kong, the number of Internet users is forecast to increase from approximately 6.5 million in 2017 to approximately 7.4 million in 2021 with a CAGR of approximately 3.3%, while the Internet penetration rate is expected to grow from approximately 88.2% to 97.6% during the forecast period.

**Number of mobile subscribers and mobile penetration rate in Hong Kong**



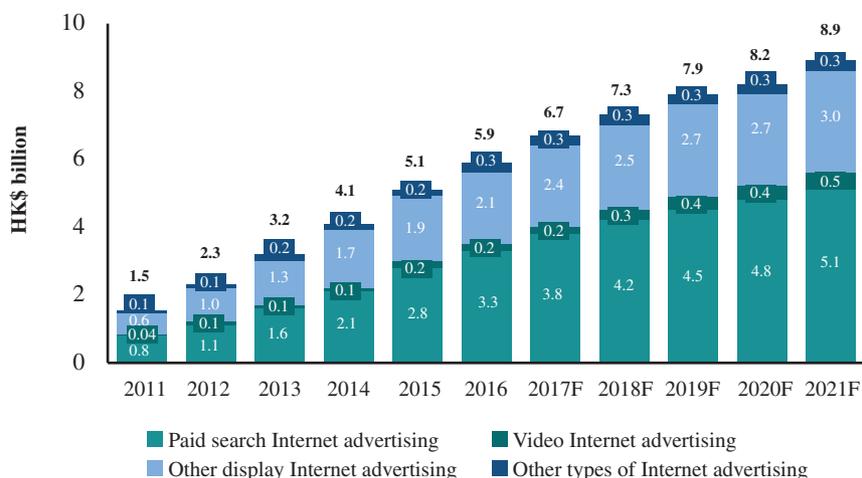
Source: BMI, Hong Kong Telecommunications Report; HKExnews; Ipsos research and analysis

The number of mobile subscribers in Hong Kong reached approximately 17.1 million in 2016 from approximately 14.9 million in 2011 at a CAGR of approximately 2.7%. Throughout the forecast period, the number of mobile subscribers is expected to increase to approximately 17.3 million in 2021 from approximately 17.2 million in 2017 with a CAGR of approximately 0.2% and mobile penetration rate is forecast to reach approximately 230% in 2021. Increased smartphone usage is expected to contribute to the consistent growth of mobile subscribers and penetration rate in the future.

## MARKET OVERVIEW OF ONLINE ADVERTISING INDUSTRY IN HONG KONG

Along with the emergence of information and communication technology and new media, the advertising industry in Hong Kong has been reshaped in recent years by altering ways to deliver marketing messages to target customers. More companies have begun to engage in online advertising compared to the past and the market players in the advertising industry, of Hong Kong are keen to adapt in order to cope accordingly with the shift in advertisers or customers' requirements. The trend of higher preference on online advertising has accelerated since around 2014 to 2015, following the emergence of social media. Furthermore, the increasing number of consumers using various mobile devices such as smartphones and tablets since 2012 will continuously contribute to the growth of and create opportunities in online advertising industry in Hong Kong in the future.

**Revenue of the online advertising industry by segment in Hong Kong**



## INDUSTRY OVERVIEW

*Note:* (i) Paid search Internet advertising includes advertisements on websites that show results of search engine queries; (ii) other display Internet advertising includes traditional advertisements placed on websites in various forms, such as branded content/native advertising; and (iii) video Internet advertising refers to in-stream video advertising (pre-rolls, mid-rolls, post-rolls) and out-of-stream video advertising. It includes revenue from both traditional broadcasters and Internet-based websites.

*Source:* Ipsos Research and Analysis

The revenue of the online advertising industry in Hong Kong has rapidly increased with a CAGR of approximately 31.5% from approximately HK\$1.5 billion in 2011 to approximately HK\$5.9 billion in 2016. All sub-segments of revenue for the online advertising industry exhibited a sharp increase with a CAGR over 24.0% respectively from 2011 to 2016. Developments in Internet technology such as high-speed mobile connection contributed to the accelerated growth of the online advertising industry over the past few years.

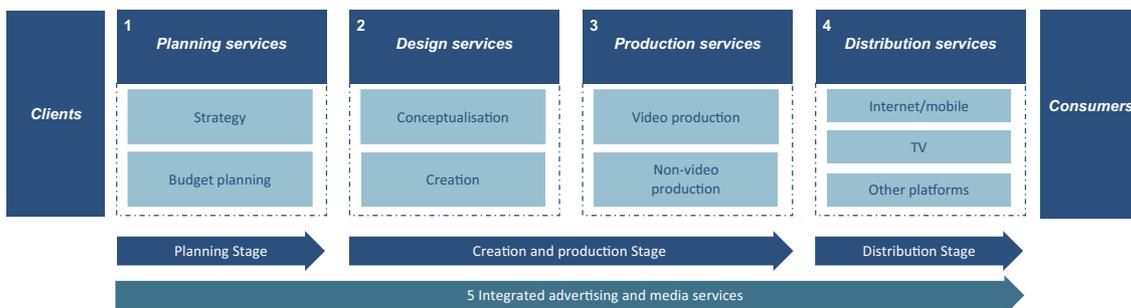
Breaking down into the revenue of online advertising industry by segments in Hong Kong, revenue generated from video Internet advertising has rapidly increased from approximately HK\$40 million in 2011 to approximately HK\$0.2 billion in 2016 with a CAGR of approximately 38.0%. This upward trend will generally continue in the future according to the development of video platform.

The revenue of the online advertising industry in Hong Kong is expected to remain positive growth during the period from 2017 to 2021. Among which, the industry revenue across the years from 2017 to 2019 is expected to increase with a CAGR of approximately 8.6% from approximately HK\$6.7 billion in 2017 to approximately HK\$7.9 billion in 2019.

### Key products and services in the online advertising industry

There are five types of key services in the online advertising industry, namely planning, design, production, distribution and integrated advertising services.

The chart below sets forth the service flow of the online advertising industry in Hong Kong.



*Source:* Ipsos research and analysis

**Planning services** refer to the consulting services to organise overall advertisement details including all types of preparation work before design and production. This also includes research to understand market behaviour of potential target audience, in order to determine media selection and the amount of budget put into the specific media.

**Design services** refer to the creation of advertisement ideas, realisation of a concept or idea into a configuration, drawing, model, pattern or specification, based on the details set out at the planning stage.

**Production services** refer to the service producing various forms of media content such as TV commercials or video content, that can visualise the advertisement. In general, production services can be divided into video production and non-video production.

**Distribution services** refer to advertisement placement services, which select media platforms to display and distribute advertisements.

**Integrated advertising and media services** include all aspects of online advertising related services, including all the four types of services mentioned above. The majority of

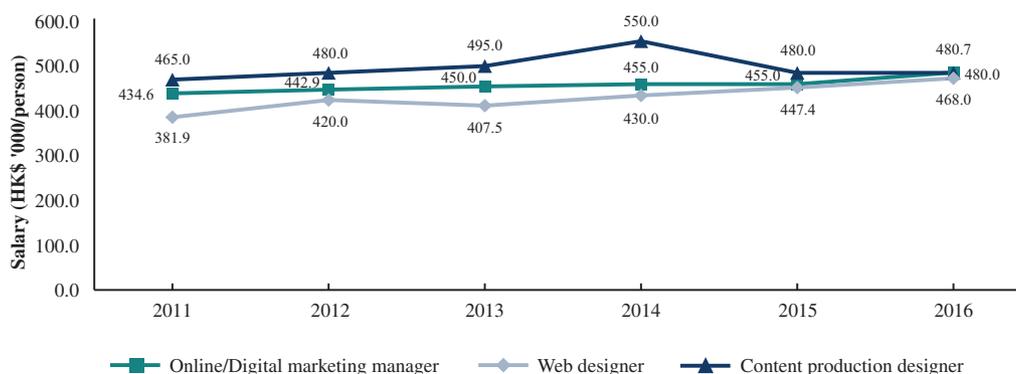
## INDUSTRY OVERVIEW

agencies that are capable of providing integrated advertising and media services are large-size advertising agencies. Specifically, integrated advertising and media services providers offer services of advertising, direct marketing, and social media through their respective mix of tactics, methods, channels, media and activities as a unified force.

Our Group provides integrated advertising and media services, which include all the five key aspects of online advertising related services aforementioned, to customers on Digital Media Platforms. For details of the workflow of our Group's one-stop advertising solution, please refer to the section headed "Business – Our operational workflow for creative advertising and media services" in this prospectus.

### Labour wage in the online advertising industry in Hong Kong

The chart below sets forth the labour wage in the online advertising industry in Hong Kong from 2011 to 2016.



Notes:

- (1) Figures of wages indicate the average salary of employees in each segment of the industry and is estimated based on available data sources. Also, the salaries indicated are based on an annual basic salary, excluding bonus/incentive schemes. Base years of job experience are 4 to 8 years for online/digital marketing manager, 2 to 5 years for web designer and 5 to 8 years for content production designer.
- (2) Statistics show the historical wage trend per person and does not indicate whole expense of major cost factors in Hong Kong.

Source: Classified Post, Michael PAGE, Ipsos research and analysis

Labour wage is the major cost factor in the online advertising industry since it is a technology oriented industry. In general, the significant shift towards online and e-commerce has been exhibited and many companies have begun to focus their attention on digital marketing accordingly. As a result, the demand for digital relevant professionals, including marketing manager, web designer and content production designer, has been increasing nowadays and the salary of these professionals are rising accordingly.

As shown in the chart above, the annual salary of an online/digital marketing manager had a gradual increase from approximately HK\$434,600 in 2011 to approximately HK\$480,700 in 2016 with a CAGR of approximately 2.0%. The annual salary of a web designer increased from approximately HK\$381,900 in 2011 to approximately HK\$468,000 in 2016 with a CAGR of approximately 4.1%, while that of a content production manager increased from approximately HK\$465,000 in 2011 to approximately HK\$480,000 in 2016 with a CAGR of approximately 0.6%.

### COMPETITIVE ANALYSIS OF ONLINE ADVERTISING INDUSTRY IN HONG KONG

The online advertising industry in Hong Kong is a fragmented market. According to the Census and Statistics Department of Hong Kong, the number of players is estimated to reach 1,560 as of 2016. The online advertising industry has begun to be recognised as a main marketing channel since 2014 and following this change, marketing platforms such as mobile, Internet and social media platforms have become more diversified in terms of creativity and content type in order to deliver key marketing messages to customers directly or indirectly. The market of online advertising is not yet mature, however, the market is expected to grow as the effectiveness of online advertisement is regarded as being stronger than TV commercials in the future.

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## INDUSTRY OVERVIEW

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In the meantime, top players in the online advertising industry of Hong Kong are mainly multinational advertising companies. Apart from international online advertising companies, a large number of small and medium sized companies exist in the Hong Kong market. According to Census and Statistics Department of Hong Kong, there were 1,560 advertising companies registered in Hong Kong as of 2016, which increased with a CAGR of approximately 0.9% from 2011.

### Profile of Major Market Players of the Online Advertising Industry in Hong Kong

It is common in the online advertising industry in Hong Kong that large-scale market players are capable of offering multiple types of advertising services to customers including planning, design, production and distribution services, depending on one's capability and expertise. Major market players of the industry are generally the members of the 4AHK which are big international advertising agencies. They primarily focus on providing services including advertising campaign and budget planning services and advertisement design services. Some high-profile 4AHK members may even provide limited extent of production services depending on the complexity of the advertisement. The following sets forth the major online agencies in Hong Kong which are also members of the 4AHK and the parent companies of which are all listed on overseas stock exchanges:

Name of company	Headquarter	Year of establishment	Types of services offered	Key customers types
Market player A	New York, US	1972	Advertising, brand consulting and strategy, customer relationship management	Retail, banking and finance, airlines
Market player B	New York, US	1978	Integrated advertising service	Public organisation, banking and finance, automotive, retail, airlines
Market player C	New York, US	1979	Digital transformation, social, activation, innovation, market research, brand building	Banking and finance, industrial
Market player D	Chicago, US	1965	Full-service marketing communications agency	Electronics, banking and finance, retail
Market player E	New York, US	1963	Integrated advertising service from branding to integrated solutions	Retail, automotive

*Source:* Ipsos research and analysis

Some of the services offered by our Group may overlap with major 4AHK market players. And these market players may compete with our Group in terms of advertisement design while cooperate with our Group if they require our Group's production and distribution expertise.

## MARKET DRIVERS AND OPPORTUNITIES

### Increased time spent on Internet in Hong Kong

According to Census and Statistics Department of Hong Kong, the number of Internet users engaged in online entertainment activities increased from approximately 32.7 million in 2011 to approximately 49.1 million in 2016, presenting a CAGR of approximately 8.5%. Using Internet through smartphone contributes to the increase in Internet users on the Internet. Accordingly, smartphone usage is most widespread in Hong Kong among all Asian countries.

### Proliferation of digital channels

An increasing number of consumers are starting to explore different digital media channels by the use of smart devices and various digital means, such as the websites. This

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## INDUSTRY OVERVIEW

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allows digital advertising service companies to form comprehensive digital marketing/advertising strategies by integrating both online and offline media to engage with their customers more effectively and maximise their marketing budgets.

### ENTRY BARRIERS OF ONLINE ADVERTISING INDUSTRY IN HONG KONG

#### Establishment of unique and trendy business portfolio

The online advertising industry has low entry barrier as new entrants can easily enter the market with generally less capital. However, companies should have their own unique business portfolio in order to become a leading player and sustain their business. In addition, the key factor that customers consider when selecting an online advertising service company remains at their industry experience and track record. Many customers have the tendency to seek players that have been involved in similar projects or provide differentiated services. Therefore, online advertising service agencies should have a competitive edge in current trends to gain popularity and produce creative content to offer differentiated creative services to lead the success of marketing/advertising campaign and achieve good reputation among customers at the same time.

#### Planning capability of online advertising

Another major factor that customers consider when choosing an online advertising service company is their capabilities to plan and organise the concept of online advertisements from the beginning. This process is critical to target the right audience. It should be based on in-depth understanding of potential audience through online or mobile platform. Such expertise requires deep and extensive online advertising experience.

#### Factors leading to our success to initially overcome the industry entry barriers

Our Group formally launched the digital media services in the year ended 31 March 2016 as a step to diversify our services from print to digital media (the “**Service Diversification**”) to cater for the changing consumers’ preferences due to the digitalisation trend. Our Directors consider the success of the Service Diversification was attributable to the following competitive strengths that we had developed throughout the years since our inception and our responsiveness to the changing market, which enables our Group to initially overcome the entry barriers mentioned above that may be encountered by new market entrants:

- **our well-established brand recognition prior to the Service Diversification:** our Group first launched our Blackpaper Magazine and 100 Most Magazine in January 2010 and March 2013 respectively. Such publications were widely available for sale in convenience stores, bookstore chains and newsstands in Hong Kong and Macau which enable our Group to explore to a mass of audience and get known to the public under the name of “黑紙” and “100毛”. As disclosed under the section headed “Business – Integrated advertising and media services – (B) Print media services – Publication of our magazines and book publications – Distribution of our magazines” in this prospectus, our 100 Most Magazine was distributed to more than 1,800 retail points as at 31 March 2015;
- **popularity of our digital media platforms which attracted a diverse base of customers and advertisers:** apart from the traditional print media channel, in light of the digitalisation trend, our Group commenced connecting ourselves to a broader base of audience primarily via our “100 Most” fan page on a popular third party social media platform in March 2013, and further creating our “TVMost” fan page on the same platform and operating our “TVMost (毛記電視)” website in May 2015. Through such platforms, our audience and viewers enjoy the continuously updated creative content distributed by us. The following summarises the performance of the three major digital distribution channels of our Group: we (i) received approximately 0.8 million “likes” on the “100 Most” fan page as at 31 March 2016 which increased to approximately 1.1 million “likes” as at 31 March 2017; (ii) received approximately 0.4 million “likes” on the “TVMost” fan page as at 31 March 2016 which increased to approximately 0.6 million “likes” as at 31 March 2017; and (iii) accumulated a total of over 135 million page views on our “TVMost” website for the year ended 31 March 2016;
- **our well-established customer base and responsiveness to the customers’ needs:** prior to the formal launch of our digital media services for the year ended 31 March

## INDUSTRY OVERVIEW

2016, our Group offered advertorial production and advertisement placement services in our 100 Most Magazine and established a customer base comprising mainly the advertising agencies and brand owners. As disclosed under the section headed “Business – Customers” in this prospectus, the majority of our five largest customers during the Track Record Period commenced business relationship with us prior to the Service Diversification. Our Directors are of the view that the Service Diversification was in response to the digitalisation trend in the market where our customers’ advertising needs generally reflect the consumers’ preferences towards digital media. The subsequent launch of the integrated advertising and media services provides flexibility for our customers to choose the types of media services and distribution channels through print and/or digital media they require. Accordingly, as disclosed under the section headed “Business – (A) Digital media services” in this prospectus, our Group entered into nil, 414, 560 and 342 contracts on a project basis with customers for services under our digital media services segment, out of which nil, 149, 228 and 54 contracts span across more than one services segment; and

- our success of the Service Diversification is attributable to the collective efforts of our operation teams:** our Group has continuously developed different operation teams throughout the Track Record Period which are led by certain key personnel to support the business operation of our Group. The success of our business and the Service Diversification is attributable to the collective efforts of our operation teams. Details of their roles and experience are set forth in the section headed “Business – Our operation teams and key personnel” in this prospectus.

For further details of our Group’s competitive strengths, please refer to the section headed “Business – Competitive strengths” in this prospectus.

### THREATS TO THE ONLINE ADVERTISING INDUSTRY IN HONG KONG

#### Customers’ doubt over cost-effectiveness of online advertising

There is generally a conservative perspective on the future of online advertising. One of the main reasons is that it is difficult to calculate the return on investment for relevant online advertising by statistical figures including number of views or hit rates on the relevant advertisement. The lack of such linkage results in the difficulty in estimating marketing budgets, and will continuously impact the online advertising industry.

### MARKET OVERVIEW OF THE PUBLISHING INDUSTRY IN HONG KONG

Along with consumers’ preference toward digital journalism and the general trend of digitalisation, the number of active magazine publishing companies in the industry in Hong Kong was 390 in 2016, which was reduced from 470 in 2011. The change in consumers’ preference is observed especially among the younger generations, as many young people nowadays do not tend to read or purchase printed newspapers and magazines.

#### Revenue of the publishing market in Hong Kong

The chart below sets forth the revenue of the publishing market in Hong Kong from 2011 to 2021.



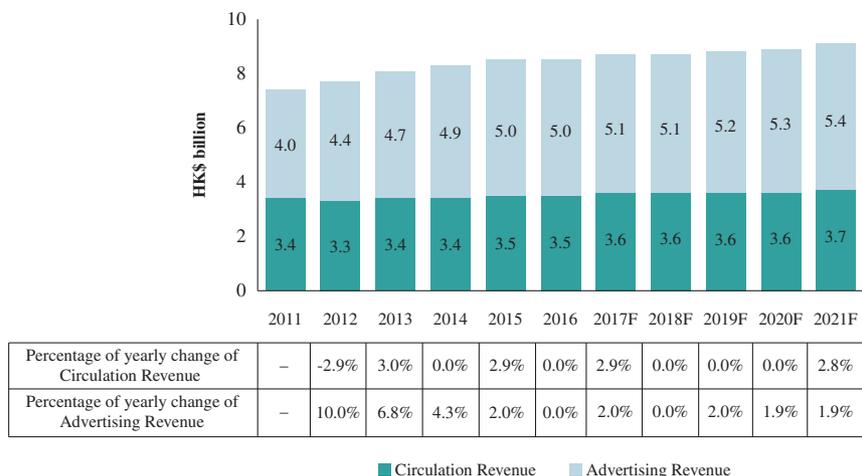
Source: Ipsos research and analysis

## INDUSTRY OVERVIEW

Revenue of the publishing market in Hong Kong showed a slightly increasing trend with a CAGR of approximately 1.2% from approximately HK\$16.5 billion in 2011 to approximately HK\$17.5 billion in 2016 and is expected to maintain stable market revenue by 2021 with a negative CAGR of approximately 0.1% from 2017 to 2021. The growth is mainly attributable to the increase in revenue of the magazine publishing market which increased from HK\$8.5 billion in 2011 to HK\$9.9 billion in 2016 at a CAGR of approximately 3.1%, whereas revenue derived under the newspaper publishing and book publishing markets revealed negative growth during the same period with negative CAGR of approximately 0.9% and 1.5% respectively.

### Revenue of the consumer magazine publishing market in Hong Kong

The chart below sets forth the revenue, in monetary value and the respective percentage of yearly change, of the consumer magazine publishing market in Hong Kong from 2011 to 2021.



Source: Ipsos research and analysis

The circulation revenue of the consumer magazine publishing market in Hong Kong slightly increased from approximately HK\$3.4 billion in 2011 to approximately HK\$3.5 billion in 2016 over the past six years, recording a CAGR of approximately 0.6%. Among which, in 2015, such circulation revenue recorded a yearly growth of approximately 2.9%. Advertising revenue in the market also grew slightly stronger at a CAGR of approximately 4.6% from approximately HK\$4.0 billion to approximately HK\$5.0 billion during the same period from 2011 to 2016. Accordingly, the yearly growth of the advertising revenue were approximately 4.3% and 2.0% in 2014 and 2015, respectively. The key driver of market growth overall related to consumer magazines was the rise of broadband and growing smartphone penetration while more consumers have opportunities to purchase consumer magazines via mobile phone or tablets. However, the growth of both circulation and advertising revenue in the consumer magazine publishing market in Hong Kong slowed down and the yearly growth was almost nil in 2016.

### Revenue of the book publishing market in Hong Kong

The chart below sets forth the total revenue of the book publishing market from 2011 to 2021.



Source: Ipsos research and analysis

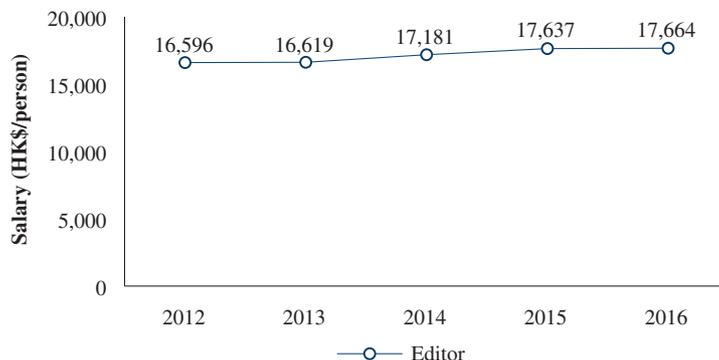
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## INDUSTRY OVERVIEW

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### LABOUR WAGES IN THE PUBLISHING INDUSTRY IN HONG KONG

Editor is a major job position in the publishing industry and performs a prominent role in the publishing activities of magazines and books. The chart below sets forth the average monthly salary of editors in Hong Kong from 2012 to 2016.

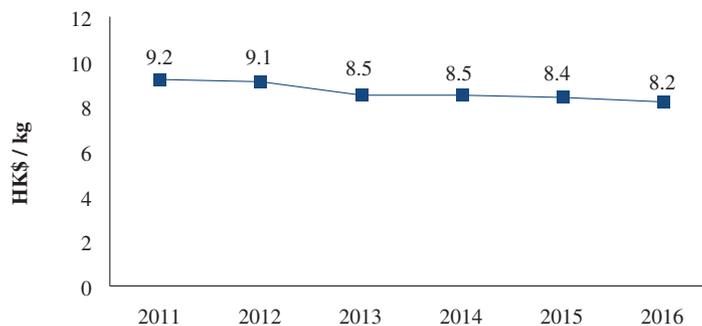


*Notes:*

- (1) Editors included in the data above come from sectors including print media, creative and design, editorial and journalism, and other media/advertising related sectors.
- (2) The average monthly salary takes into account the basic monthly salaries including commission, but excluding any bonuses. Outliers with value that is more than two standard deviations from the mean were excluded from the data to avoid extreme value.

*Source: Ipsos research and analysis*

Human resource expenses are regarded as an important cost factor within the magazine and book publishing industry. As illustrated in the chart above, the average monthly salary of editors in the Hong Kong market grew slowly from approximately HK\$16,596 in 2012 to approximately HK\$17,664 in 2016, representing a CAGR of approximately 1.6% only. This was primarily attributable to the high market competition where companies have been cost conscious on their businesses in the media industry and the generally low entry requirement for editors who are not required to obtain particular industry qualification before entering the market.



*Source: United Nations Comtrade, Ipsos research and analysis*

Paper is the raw material for magazine and book publishing activities. The price trend of paper in Hong Kong being another major cost factor had decreased from approximately HK\$9.2 per kg in 2011 to approximately HK\$8.2 per kg in 2016, at a negative CAGR of approximately 2.2%. A downward trend on the price of paper in Hong Kong was mainly attributed to the decreasing price of precursor materials in paper manufacturing such as wood pulp.

The total revenue of the book publishing market in Hong Kong gently decreased from approximately HK\$1,336.1 million in 2011 to approximately HK\$1,317.0 million in 2016, recording a negative CAGR of approximately 0.3%. The decrease in the total revenue during the period could be explained by the decreased revenue generated from consumer books, resulting from changing consumer preference from reading books to online entertainment as well as the increasing pressure of censorship on books. However, the revenue of the book publishing is expected to grow from approximately HK\$1,319.7 million in 2017 to approximately HK\$1,430.2 million in 2021 with a CAGR of approximately 2.0%. Such expected increase can potentially be driven by the growth of electronic books market.

## INDUSTRY OVERVIEW

### COMPETITIVE LANDSCAPE OF MAGAZINE AND BOOK PUBLISHING INDUSTRY IN HONG KONG

#### Competitive Situation

The number of active magazine publishing companies had declined at a negative CAGR of approximately 3.7% from 470 in 2011 to 390 in 2016, while the magazine publishing market had slightly grown at a CAGR of approximately 3.1% in the same period. About 80 publishers have ceased their operation in the last five years. Similar to the magazine publishing industry, the number of book publishing companies, according to the Census and Statistics Department of Hong Kong, declined 2.7% from 2011 to 2016, and the revenue of the book publishing industry dropped slightly in the said period but increased in the forecast period. The rationale behind this is that the development of publishing technology reduced efforts in the publishing process and the high technology of mobile and network induced growing demand for digital format over print format. It is expected that the trend of the declining number of active magazines and books publishing companies will continue in the near future, and the industry would become more competitive.

The table below sets forth the major market players in the publishing industry, whose shares are listed on the Stock Exchange.

Name of company	Headquarter	Types of services offered	Year of establishment	Revenue generated from relevant business segment (HK\$ million)
Market player F	Hong Kong	Newspaper, magazine	1938	1,499.2 <sup>(1)</sup>
Market player G	Hong Kong	Print media (newspaper, magazine, books), financial news agency, digital	1988	739.2 <sup>(2)</sup>
Market player H	Malaysia	Newspaper, magazine, digital, textbook, books	1991	417.3 <sup>(3)</sup>
Market player I	Hong Kong	Magazine, digital, health management	1999	212.7 <sup>(4)</sup>
Market player J	Hong Kong	Digital, newspaper, magazine	1999	157.1 <sup>(5)</sup>

*Notes:*

- (1) Refers to revenue generated from advertising income and circulation income, which accounted for approximately 93.2% of the player's total revenue for the financial year ended 31 December 2016. Accordingly, the player derived its total revenue from Hong Kong, the PRC, North America, Australia, New Zealand and Europe in the same period.
- (2) Refers to revenue generated from the printing and publication of newspapers, magazines and books, and advertising income, circulation income and service income related to these publications by the player in Hong Kong and the PRC for the financial year ended 31 March 2017.
- (3) Refers to revenue generated from publication, printing and distribution of newspapers, magazines, books and digital content primarily in Chinese language by the player in Hong Kong, Taiwan and the PRC for the financial year ended 31 March 2017.
- (4) Refers to revenue generated from advertising income and circulation income, which accounted for approximately 40.3% of the player's total revenue for the financial year ended 31 December 2016. Accordingly, the player derived its total revenue from Hong Kong and the PRC in the same period.
- (5) Refers to revenue generated from sales of books and magazines and books and magazines advertising income, which accounted for approximately 8.8% of the player's total income for the financial year ended 31 March 2017. Accordingly, the player derived its total revenue from Hong Kong, Taiwan, North America, Europe, Australasia and others in the same period.

*Source:* Ipsos research and analysis

The major market players in the industry in Hong Kong are generally the conventional large-scale print media companies which publish newspapers and/or magazines. These major market players primarily focus on newspaper and magazine publishing, generating revenue through circulation and advertising. Similar to these major market players, our Group has similar business model with focus on magazine and book publishing, but our Group mainly targets local Hong Kong younger generation groups. Therefore, our Group may not directly compete with these major market players in terms of their target audience.

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## INDUSTRY OVERVIEW

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### MARKET DRIVERS AND OPPORTUNITIES OF MAGAZINE AND BOOK PUBLISHING INDUSTRY IN HONG KONG

#### Demand for digital magazine format

The demand for digital format of magazine which allows readers to access magazine content using their handheld devices without any time and location constraints is mainly derived from the high penetration of mobile devices such as smartphone and tablets, which was approximately 232.1% in 2016. The change in readers' preference results in the increasing number of market players involved in the digital format of materials.

### THREATS OF MAGAZINE AND BOOK PUBLISHING INDUSTRY IN HONG KONG

#### Less time spent on reading

Comparing to the past, the number of Internet users engaged in online entertainment activities has increased and time spent on print media has decreased accordingly. According to Census and Statistics Department of Hong Kong, the number of Internet users engaged in online entertainment activities increased from approximately 32.7 million in 2011 to approximately 49.1 million in 2016, presenting a CAGR of approximately 8.5%. This trend may affect the declining demand in the magazine and book publishing industry in Hong Kong.

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## REGULATORY OVERVIEW

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### HONG KONG REGULATORY OVERVIEW

During the Track Record Period, we conducted our business in Hong Kong and our revenue was generated from our operations in Hong Kong. Therefore, we are principally subject to the relevant laws and regulations in Hong Kong. The following sets out a summary of certain aspects of major laws and regulations which are relevant to our Group's business operation in Hong Kong.

### REGULATION OF ADVERTISING PRACTICE

There are no specific legislation governing advertising practice in Hong Kong. However, there are a number of different ordinances and regulations containing provisions regarding advertising and promotion of products and services and the breach of such ordinances and regulations may result in criminal offence.

The ordinances that may be applicable in relation to our digital and printed advertising practices include the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), the Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong), the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong), the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) and the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong). These ordinances are discussed in further details below.

### REGULATION OF PRINT MEDIA

Our publication and sales of magazines and books in Hong Kong are regulated by common law and a number of laws and regulations such as the Registration of Local Newspapers Ordinance (Chapter 268 of the Laws of Hong Kong), the Newspapers Registration and Distribution Regulations (Chapter 268B of the Laws of Hong Kong), the Book Registration Ordinance (Chapter 142 of the Laws of Hong Kong), the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong) and the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). These ordinances are discussed in further details below.

### **Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the "TDO")**

It is the aim of the TDO to prohibit false trade description, false, misleading or incomplete information, false statements, etc., for the goods and services provided in the course of trade. The definition of trade description under the TDO covers a broad range of matters including but not limited to the following aspects: quantity, method of manufacture, composition, fitness for purpose, compliance with a standard, availability, approval by any person, a person by whom the goods have been acquired, and the goods being of the same kind as goods supplied to a person.

According to section 7 of the TDO, any person who in the course of any trade or business applies a false trade description to any goods or supplies or offers to supply any goods to which a false trade description is applied commits an offence.

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## REGULATORY OVERVIEW

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According to section 7A of the TDO, a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied commits an offence.

Under sections 13E, 13F, 13G, 13H and 13I of the TDO, a trader commits an offence if the trader engages, in relation to a consumer, in a commercial practice that is a misleading omission or is aggressive, or that constitutes bait advertising, a bait and switch or wrongly accepting payment for a product.

Anyone who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I of the TDO shall be liable, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine of HK\$100,000 and to imprisonment for 2 years.

We may be held liable for the above offences in the operation of our marketing business as the TDO stipulates that any reference to a trader in the ordinance includes any person acting in the name of, or on behalf of, a trader.

### **Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) (the “SSO”)**

As we provide advertising services to our customers in digital and print media, the provision of service is regulated by the SSO, which stipulates the terms to be implied in contracts for the supply of services.

Section 5 of the SSO stipulates that in a contract for the supply of service where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service with reasonable care and skill.

Section 6 of the SSO stipulates that where, under a contract for the supply of a service by a supplier acting in the course of a business, the time for the service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties, there is an implied term that the supplier will carry out the service within a reasonable time.

### **Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) (the “CECO”)**

It is the aim of the CECO to limit the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise. Our service contracts with our digital and printed marketing customers are subject to the provisions of the CECO.

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## REGULATORY OVERVIEW

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Section 7 of the CECO stipulates that a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence. Further, in the case of other loss or damage, a person cannot so exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness.

Section 8 of the CECO stipulates that as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach; (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him; or (iii) claim to be entitled in respect of the whole or any part of his contractual obligation, to render no performance at all, except in so far as the term of the contract satisfies the requirement of reasonableness.

Section 9 of the CECO stipulates that a person dealing as consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the term of the contract satisfies the requirement of reasonableness.

Sections 7, 8 and 9 of the CECO do not apply to any contract so far as it relates to the creation or transfer of a right or interest in any patent, trade mark, copyright, registered design, technical or commercial information or other intellectual property, or relates to the termination of any such right or interest.

Section 11 of the CECO stipulates that as against a person dealing as consumer, liability for breach of the obligations arising from sections 15, 16 or 17 of the SOGO (as defined below) (seller's implied undertakings as to conformity of goods with description or sample, or as to their quality or fitness for a particular purpose) cannot be excluded or restricted by reference to any contract term, and as against a person dealing otherwise than as consumer, the liability arising from sections 15, 16 or 17 of the SOGO can be excluded or restricted by reference to a contract term, but only in so far as the term satisfies the requirement of reasonableness.

The requirement of reasonableness of a contract term, for the purposes of the CECO, is satisfied only if the court or arbitrator determines that the term was fair and reasonable to be included having regard to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

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## REGULATORY OVERVIEW

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### **Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “PDPO”)**

It is the aim of the PDPO to protect the privacy of individuals in relation to personal data, which is defined in section 2 of the PDPO as any data (i) relating directly or indirectly to a living individual (data subject); (ii) from which it is practicable for the identity of the individual to be directly or indirectly ascertained; and (iii) in a form in which access to or processing of the data is practicable. The PDPO regulates the conducts of a data user, i.e. any person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of personal data.

Visitors of our website at [www.mostkwaichung.com](http://www.mostkwaichung.com) may choose to register as our members. During the registration process we collect our member’s personal information. We also monitor the online behaviour of our readers so as to gather data for market trend analysis. As such, in carrying out our Group’s operations, we need to comply with the PDPO and its six data protection principles, which are:

Principle 1 – Purpose and manner of collection. This provides for the lawful and fair collection of personal data and sets out the information a data user must give to a data subject when collecting personal data from that subject.

Principle 2 – Accuracy and duration of retention. This provides that personal data should be accurate, up-to-date and kept no longer than necessary.

Principle 3 – Use of personal data. This provides that unless the data subject gives consent otherwise personal data should be used for the purposes for which they were collected or a directly related purpose.

Principle 4 – Security of personal data. This requires appropriate security measures to be applied to personal data (including data in a form in which access to or processing of the data is not practicable).

Principle 5 – Information to be generally available. This provides for openness by data users about the kinds of personal data they hold and the main purposes for which personal data are used.

Principle 6 – Access to personal data. This provides for data subjects to have rights of access to and correction of their personal data.

In the course of our business, our Group falls within the definition of “data user” under the PDPO as we possess private and confidential data. Hence, we are subject to the principles set out in the PDPO regarding the collection, use, retention, accuracy and security of and access to personal data. In this regard, our Group has established policies and procedures to ensure our compliance with the PDPO.

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## REGULATORY OVERVIEW

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### **Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (the “Copyright Ordinance”)**

The Copyright Ordinance provides comprehensive protection for recognised categories of work such as literary, dramatic, musical and artistic works. Such protection extends to making available to the public such works on the Internet. Certain copyrights may subsist in the works we create in relation to our publications, digital media content and advertising materials, including artistic works (such as artworks and photos), films (such as videos) or literary works (such as text) that qualify for copyright protection without registration.

The Copyright Ordinance restricts certain acts such as copying and/or issuing or making available copies to the public of a copyright work without the authorisation from the copyright owner which, if done, constitutes “primary infringement” of copyright which does not require knowledge of infringement.

The Copyright Ordinance permits certain acts that can be done in relation to copyright works without authorisation from the copyright owner, one of which being fair dealing with a copyright work for the purpose of criticism, review or reporting current events if accompanied by a sufficient acknowledgement of such copyright work and its author (“**Fair Dealing Defence**”).

Please refer to the section headed “Business – Legal proceedings and compliance – Claims settled, pending or threatened against our Group” in this prospectus for further details.

A person, amongst others, possesses, sells, distributes or deals with a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work for the purposes of or in the course of any trade or business without the consent of the copyright owner, may incur civil liability for “secondary infringement” under the Copyright Ordinance. However, the person will only be liable if, at the time he committed the act, he knew or had reason to believe that he was dealing with infringing copies of the work. Our Directors confirmed that they do not have any actual knowledge nor have any reason to believe that any advertising materials submitted by the customers to our Group for publication, as well as any works created by our employees or freelancers, during the Track Record Period is an infringing copy of any work within the meaning of the Copyright Ordinance.

Please refer to the section headed “Risk factors – Risks relating to our Group – Some of our creative content published through digital and print media platforms may expose us to potential liabilities and litigations” in this prospectus for further details.

### **Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong) (the “COIAO”)**

The content we post on the Digital Media Platforms and publish in our publications are subject to the regulations of the COIAO. Subject to the defence provided in the COIAO, any person who publishes, possesses for the purpose of publication or imports for the purpose of the publication, any obscene article, whether or not he knows that it is an obscene article, commits an offence and is liable for a fine of HK\$1 million and imprisonment for three years.

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## REGULATORY OVERVIEW

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According to the COIAO, it is also an offence to publish any indecent article without sealing such article in wrappers and displaying a notice as prescribed by the COIAO.

Subject to the defence provided in the COIAO, it is also an offence to publish any indecent article to a person who is a juvenile, whether it is known that it is an indecent article or that such person is a juvenile. Such offences impose a fine of HK\$400,000 and imprisonment of 12 months on first conviction. A second or subsequent conviction will give rise to a fine of HK\$800,000 and imprisonment of 12 months.

The Obscene Articles Tribunal is empowered to refuse an application to make a classification of an article, to classify an article as neither obscene nor indecent, indecent or obscene or to determine whether articles published in magazines in Hong Kong are obscene or indecent.

### **Defamation Ordinance (Chapter 21 of the Laws of Hong Kong) (the “DO”)**

Any person who maliciously publishes defamatory matter regarding another person or an organisation in writing or by word of mouth or by conduct may be liable for defamation. Broadly speaking, there are two main kinds of defamation, which are libel and slander. Libel is the malicious publication of defamatory matter in writing or in some other permanent form. Slander is the publication of defamatory matter by word of mouth or in some other transient (temporary) form.

Section 5 of the DO provides that any person who maliciously publishes any defamatory libel, knowing the same to be false, shall be liable to imprisonment for two years, and, in addition, to pay such fine as the court may award.

There are several defences available. They include but are not limited to (a) unintentional defamation; (b) an offer of amends; (c) defence of justification, which means the words were true in substance and in fact; (d) fair comment; and (e) publication which was privileged as prescribed in the schedule of the DO.

### **Registration of Local Newspapers Ordinance (Chapter 268 of the Laws of Hong Kong) (the “RLNO”)**

During the Track Record Period, our Group published Blackpaper Magazine (publication ceased on 1 January 2017) and 100 Most Magazine. Section 7 of the RLNO provides that every local newspaper shall be registered in accordance with regulations made under section 18 thereof and section 2 of the RLNO defines “newspaper” as any paper or other publication and any supplement thereto available to the general public which (a) contains news, intelligence, occurrences or any remarks, observations or comments in relation to such news, intelligence, or occurrences or to any other matter of public interest; and (b) is printed or produced for sale or free distribution and published either periodically (whether half-yearly, quarterly, monthly, fortnightly, weekly, daily or otherwise) or in parts or numbers at intervals not exceeding six months.

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## REGULATORY OVERVIEW

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Section 17(1) of the RLNO provides that the publisher or the printer of every local newspaper shall, on every day on which that local newspaper is published or on the day next following (other than a holiday), deliver or cause to be delivered to the Registrar a copy of that local newspaper and of every published second or other varied edition or impression thereof.

Section 17(2) of the RLNO further provides that the copy of every local newspaper delivered to the Registrar under subsection (1) shall bear the signature, full name and address of the printer or publisher thereof or the signature, full name and address of some other person appointed and authorised by that printer or publisher for that purpose and whose appointment and authority have been lodged with the Registrar.

Section 20(1) of the RLNO stipulates that any person who contravenes the registration requirement in the RLNO shall be guilty of an offence and shall be liable, on summary conviction, to a fine of HK\$5,000 and imprisonment for one year, and on conviction, to a fine of HK\$15,000 and imprisonment for three years.

Section 20(2) of the RLNO stipulates that every printer or publisher of a local newspaper who contravenes section 17 as to the delivery of copies of such local newspaper at the office of the Registrar shall be liable on summary conviction to a fine of HK\$1,000.

### **Newspapers Registration and Distribution Regulations (Chapter 268B of the Laws of Hong Kong) (the “NRDR”)**

The NRDR, which is the subsidiary legislation of the RLNO provides that the registration of magazines shall be renewed annually.

Regulation 13(1) provides that distribution of magazines for sale is only permitted by a licenced newspaper distributor. Regulation 13(3) of the NRDR excludes the licencing requirement for the retail sale of magazines to any member of the public.

Regulation 19 of the NRDR stipulates that any person who contravenes the NRDR shall be guilty of an offence and shall be liable to a fine of HK\$1,000 and imprisonment for six months.

### **Book Registration Ordinance (Chapter 142 of the Laws of Hong Kong) (the “BRO”)**

During the Track Record Period, our Group published books and magazines periodically. The BRO imposes an obligation on the publisher of a magazine or a book that issues less than four editions a week, to deliver five copies of each edition to the Secretary for Home Affairs of Hong Kong for registration within one month after the magazine or a book is published, printed, produced or otherwise made in Hong Kong. Any person who contravenes such requirement under the BRO shall be guilty of an offence and shall be liable on conviction to a fine of HK\$2,000.

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## REGULATORY OVERVIEW

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### **Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the “SOGO”)**

The SOGO is the main governing law in Hong Kong in relation to sale of goods. Section 16 of the SOGO provides, inter alia, that where a seller sells goods in the course of a business, there is an implied condition that (a) where the goods are purchased by description, the goods must correspond with the description; (b) the goods supplied are of merchantable quality; and (c) the goods must be fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject defective goods unless he or she has a reasonable opportunity to examine the goods.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### BUSINESS DEVELOPMENT

#### Introduction

Our Group’s history can be traced back to January 2010 when our founders, Mr. Iu, Mr. Luk and Mr. Tsui, launched our Blackpaper Magazine as a monthly Chinese magazine which was sold at seven retail points in Hong Kong. In November 2010, with their personal funds, Mr. Iu, Mr. Luk and Mr. Tsui established Blackpaper, being the initial operating subsidiary of our Group. Please refer to the section headed “Directors and senior management” in this prospectus for further details regarding the background of our founders.

In March 2013, we began publishing our 100 Most Magazine weekly and setting up a fan page under the name of “100 Most” (100毛) on a popular third party social media platform. In the same year, we commenced book publication business with the publisher name of “Whitepaper Publishing” (白卷出版社). We further expanded our business to artistes management in August 2014.

Since inception of Blackpaper, we have been engaging in magazine publication and print media advertising, our business was formally expanded to digital media advertising in May 2015 through launching our TVMost website and TVMost mobile application and setting up fan page under the name of “TVMost” (毛記電視) on several social media platforms.

In 2016, our Group organised and conducted two live shows, being our Awards Ceremony and our Anniversary Ceremony, and our Anniversary Ceremony was broadcasted live on a free TV channel.

When Blackpaper commenced business in around 2010, similar to most start-up companies, the business operations of our Group were primarily run by our executive Directors who are also our founders and Controlling Shareholders. They were actively involved in the provision of print media services, including providing creative inputs, engaging in writing articles and other creative productions and liaising works for the publication of our Blackpaper Magazine. As we expanded our business segments and diversified into digital media services, events organisation and artistes management business, and commenced distribution of our creative content through various platforms, our Group has been expanding our operation teams to support the daily business and segment operations. With the support of our operation teams led by our senior management team and key personnel, our executive Directors have started and continued delegating the executory duties to the operation teams and they have become less involved in the creation and production process, in particular in the print media services and artistes management business. Our executive Directors’ roles have thus become generally supervisory in nature which focused more on formulating business strategies and development plans of our Group, approving the creative works collectively produced by our operation teams and making key business decisions. Details of our executive Directors’ involvement in each of our business segments are set out in the section headed “Business – Role and involvement of our executive Directors” and details of our operation teams and key personnel are set out in the sections headed “Business – Our operation teams and key personnel” and “Directors and senior management” in this prospectus.

#### Business Milestones

The following table summarises key milestones in our Group’s business development:

<b>Time</b>	<b>Milestone events</b>
January 2010	Launched Blackpaper Magazine <sup>(1)</sup>
November 2010	Established Blackpaper

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## HISTORY, DEVELOPMENT AND REORGANISATION

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<b>Time</b>	<b>Milestone events</b>
March 2013	Launched 100 Most Magazine  Set up our “100 Most” fan page on one of the most popular social media platforms and started distributing our creative content thereon on a non-profit-making basis to extend our content delivery network and to cater for the change of readers’ preference from print media to digital media in light of the digitalisation trend
May 2013	Commenced publication of books with the publisher name of “Whitepaper Publishing” (白卷出版社)
August 2014	Commenced business of artistes management
May 2015	Formally launched the Digital Media Platforms under the name of TVMost (毛記電視) to further increase our exposure and expand our reach to a broader base of viewers
January 2016	Conducted a live show, being our Awards Ceremony
March 2016	Received the Youth’s Favourite Campaign of the Best of the Best MTR Advertising Awards 2015 (Online Voting – Gold)
May 2016	Conducted a live show, being our Anniversary Ceremony, and broadcasted the same on a free TV channel
November 2016	2016 Kam Fan Awards – Social and Interactive Video – Social Video (Bronze) <sup>(2)</sup>
June 2017	2017 Hong Kong Effie Awards – Banking and Financial Services/Insurance (Bronze) <sup>(3)</sup>

*Notes:*

1. Our Blackpaper Magazine was first launched by Mr. Iu, Mr. Luk and Mr. Tsui on their own without the use of a legal entity.
2. The winner was an advertising agency involved in the project but the conceptualisation and shooting of the video was executed by Blackpaper.
3. The winner was a marketing agency involved in the project but the conceptualisation and shooting of the video was executed by Blackpaper. No one received the Gold Award or the Silver Award for this category in 2017.

### **CORPORATE HISTORY AND STRUCTURE**

Our Company was incorporated in the Cayman Islands on 8 June 2017 as an exempted company with limited liability under the Cayman Companies Law in anticipation of the Listing. Prior to the Reorganisation, our Group comprised the following major subsidiaries and the corporate history of each of these subsidiaries is set out below.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### Our Subsidiaries

#### *Blackpaper*

Blackpaper was incorporated in Hong Kong with limited liability on 30 November 2010 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the date of its incorporation, each of Mr. Iu, Mr. Luk and Mr. Tsui was allotted one share at par value.

Blackpaper has commenced its business since the date of its incorporation and is principally engaged in provision of advertising and media services and publication.

Top Plus is an indirect wholly-owned subsidiary of One Media which is indirectly controlled by an Independent Third Party, Tan Sri Datuk Sir Tiong Hiew King, by virtue of his personal interests, family interests and interests in various corporate entities. Attracted by the creative content published in Blackpaper Magazine, Mr. Lam, being the chief executive officer and the executive director of One Media, approached our Controlling Shareholders in August 2011 and initiated discussions concerning potential investment in Blackpaper. On 1 February 2012, two, two and two shares were further allotted and issued at par value to Mr. Iu, Mr. Luk and Mr. Tsui, respectively. On the same day, Blackpaper and Top Plus entered into a subscription agreement, pursuant to which Top Plus agreed to subscribe for, and Blackpaper agreed to allot and issue, one share at the consideration of (i) HK\$1,000,000 as an initial consideration based on the historical performance and the expected annual financial performance of Blackpaper and (ii) a top-up amount to be determined based on the performance result of Blackpaper in the two years ended 31 March 2014. Such consideration was determined through arm's length negotiation with reference to the profit target of Blackpaper for the said two years. Upon the allotment of one share in Blackpaper to Top Plus, Blackpaper was owned as to 30% by Mr. Iu, 30% by Mr. Luk, 30% by Mr. Tsui and 10% by Top Plus. Top Plus settled the initial consideration in the amount of HK\$500,000 and HK\$500,000 on 30 January 2012 and 15 May 2013, respectively and the top-up amount of HK\$756,755, being the top-up amount based on the accumulated actual profit for two years ended 31 March 2014, on 19 August 2014. Blackpaper fully utilised the total consideration of approximately HK\$1.8 million as working capital of our Group. The effective investment cost per Share for the investment made by Top Plus is approximately HK\$0.087, on the basis that Top Plus would hold 7.5% Shares in our Company after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). For illustration purpose, the investment cost per Share represents a discount of approximately 92.1% to HK\$1.1 per Offer Share, being the mid-point of the indicative price range for the Share Offer.

On 2 May 2013, Top Plus transferred its one share in Blackpaper to Tronix Investment at a nominal consideration of HK\$1.00 due to an internal corporate restructuring conducted by One Media, which indirectly holds the entire issued share capital of both Tronix Investment and Top Plus. Upon completion of this transfer on 2 May 2013 and immediately prior to the Reorganisation, Blackpaper was owned as to 30% by Mr. Iu, 30% by Mr. Luk, 30% by Mr. Tsui and 10% by Tronix Investment. Tronix Investment will not be subject to any lock-up requirement after Listing. All Shares held by Tronix Investment will be considered as part of the public float, as (i) the shareholding of Tronix Investment will be less than 10% upon Listing, which will be 7.5% without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and (ii) Tronix Investment is an Independent Third Party.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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After Top Plus became a shareholder of Blackpaper, Mr. Lam was appointed as a director by Top Plus to the board of directors of each of Blackpaper, General Manager, Number Eighteen, French Rotational and TV Most Broadcasts pursuant to a shareholders' agreement dated 1 February 2012 entered into among the then shareholders of Blackpaper. The director appointed by Top Plus mainly acted as a representative of Top Plus in the board of directors of Blackpaper and provided operational guidance and support to our Group on a need basis. Mr. Lam resigned from directorship of each of Blackpaper, General Manager, Number Eighteen, French Rotational and TV Most Broadcasts on 11 July 2017. In order to ensure Tronix Investment will not have special rights that other public Shareholders are not entitled to upon Listing, a deed of termination was entered into on 25 July 2017 among Mr. Iu, Mr. Luk, Mr. Tsui, Top Plus, Tronix Investment and Blackpaper, pursuant to which the shareholders' agreement will be terminated and all rights of Tronix Investment thereunder (including but not limited to the right to nominate and remove one director in Blackpaper, the right to attend all board meetings and the right to have unrestricted access to all trading records, accounts, books, bank statements through the director appointed by Top Plus or Tronix Investment) will be extinguished upon Listing. Therefore, no special rights granted to Tronix Investment will survive after Listing.

The Sole Sponsor is of the view that the investment made by Top Plus or Tronix Investment in our Group is in compliance with (i) the "Interim Guidance on Pre-IPO Investments" issued on 13 October 2010 by the Stock Exchange as the consideration for the investment was fully settled on 19 August 2014 which was more than 28 clear days before the date of our Company's first submission of the listing application to the Stock Exchange in relation to the Listing; and (ii) the Guidance Letter HKEX-GL43-12 (October 2012) (Updated in July 2013 and March 2017) and the Guidance Letter HKEX-GL44-12 (October 2012) (Updated in March 2017) issued by the Stock Exchange as no special rights granted to Top Plus or Tronix Investment will survive after Listing.

Top Plus, being a subsidiary of One Media, was considered as an angel investor to our Group. Through Top Plus, we were able to benefit from this angel investor's experience in the media industry. In the early years of the development of our Group, we were introduced by Top Plus to procure sales, accounting and other administrative support from MPM, which is a fellow subsidiary of Top Plus in the corporate group held by One Media, for the development of our Group. MPM was engaged as a sales representative for our advertising related activities during the period from 1 February 2012 to 31 March 2015. MPM has also been providing accounting services and other administrative support to our Group and such services mainly include daily accounting operation, credit control function, human resources management and inventory management. MPM and Blackpaper entered into a termination agreement on 25 July 2017, pursuant to which MPM and Blackpaper agreed that the provision of accounting services by MPM will be terminated upon Listing or on 31 March 2018, whichever is earlier. Our Group will employ suitable candidates with financial and accounting related qualifications and work experience to support our daily financial accounting function. Such accounting function will thereafter be administered by our Group internally. Details of our related party transactions entered into with MPM can be referred to the section headed "Financial Information – Transactions with related parties" in this prospectus. Accordingly, MPM is not a connected person of our Company as defined under the Listing Rules and is an Independent Third Party.

### ***Whitepaper Publishing***

Whitepaper Publishing was incorporated in Hong Kong with limited liability on 2 December 2013 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. As at the date of its incorporation, each of Mr. Iu, Mr. Luk and Mr. Tsui was

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## HISTORY, DEVELOPMENT AND REORGANISATION

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allotted one share at par value. As a result of the above allotments, Whitepaper Publishing was owned equally by Mr. Iu, Mr. Luk and Mr. Tsui.

On 3 December 2013, Blackpaper and Whitepaper Publishing entered into a deed of assignment, pursuant to which Whitepaper Publishing has assigned all its business revenue generated in the course of its business to Blackpaper and Blackpaper in return bears all the direct and indirect costs and expenses of Whitepaper Publishing.

Whitepaper Publishing has commenced its business since the date of its incorporation and is principally engaged in publication of books.

### ***General Manager***

General Manager was incorporated in Hong Kong with limited liability on 20 August 2014. As at the date of its incorporation, each of Mr. Iu, Mr. Luk and Mr. Tsui was allotted one share at par value.

On 25 September 2014, Mr. Iu, Mr. Luk and Mr. Tsui transferred each of their one share in General Manager to Blackpaper at a nominal consideration of HK\$1.00. As at 25 September 2014 and immediately prior to the Reorganisation, General Manager was wholly-owned by Blackpaper.

General Manager commenced business since the date of its incorporation and is principally engaged in management of contracted artistes.

### ***TV Most Broadcasts***

TV Most Broadcasts was incorporated in Hong Kong with limited liability on 16 March 2015. As at the date of its incorporation, one share was allotted and issued at par value to Blackpaper. TV Most Broadcasts was wholly-owned by Blackpaper since its incorporation and immediately prior to the Reorganisation.

TV Most Broadcasts has commenced business since the date of its incorporation and is principally engaged in the provision of advertising and media services and the operation of TVMost.

### ***French Rotational***

French Rotational was incorporated in Hong Kong with limited liability on 24 March 2017. As at the date of its incorporation, one share was allotted and issued at par value to Blackpaper. French Rotational was wholly-owned by Blackpaper since its incorporation and immediately prior to the Reorganisation.

French Rotational has commenced business since the date of its incorporation and is principally engaged in provision of advertising services.

### ***Number Eighteen***

Number Eighteen was incorporated in Hong Kong with limited liability on 3 May 2016. On the date of its incorporation, one share was allotted and issued at par value to Blackpaper. Number Eighteen was wholly-owned by Blackpaper since its incorporation and immediately prior to the Reorganisation.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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Number Eighteen has not carried on any business since its incorporation.

### **Discontinuation of Number Nineteen**

On 30 March 2015, Number Nineteen was incorporated with limited liability in Hong Kong in accordance with a joint venture agreement dated 24 March 2015 entered into by Blackpaper with an Independent Third Party who has experience in the media and entertainment industry and performed in various TV programmes and movies (the “**JV Partner**”). Number Nineteen was held as to 70% by Blackpaper and 30% by the JV Partner since its incorporation. In 2014, Blackpaper became acquainted with the JV Partner through an interview conducted for our 100 Most Magazine with the JV Partner. The joint venture was subsequently established as Blackpaper wished to explore possible business synergies with the JV Partner in the production of creative works. According to the joint venture agreement, Number Nineteen was principally engaged in the provision of creative multimedia production services to and the organisation of advertising campaigns for advertisers and artistes.

On 4 August 2015, Blackpaper and the JV Partner entered into a termination agreement to mutually terminate the joint venture agreement because, as confirmed by our Directors, the parties to the joint venture agreement could not reach a consensus as to the future development of the joint venture. On the same day, Blackpaper acquired the 30% shareholding from the JV Partner, representing the entire interest in Number Nineteen held by the JV Partner, at a consideration of HK\$3.00 which was equal to the subscription price of the three shares paid by the JV Partner in accordance with the joint venture agreement. As a result, Number Nineteen became wholly owned by Blackpaper. The acquisition of the 30% shareholding from the JV Partner was to enable us to have a corporate vehicle that was for any future business development of our Group when necessary. However, our Directors later decided to streamline the corporate structure of our Group by dissolving Number Nineteen and in turn to save the administrative costs for maintaining the company which did not serve any immediate business purpose. Number Nineteen was thus dissolved by deregistration in accordance with applicable Hong Kong laws and regulations on 2 December 2016. Since the date of incorporation and up to the date of the deregistration of Number Nineteen, there was no material dispute and/or litigation between the JV Partner and Blackpaper.

Our Directors confirmed that, (i) Number Nineteen was solvent and did not have any outstanding liabilities at the time of its deregistration, and (ii) Number Nineteen was not involved in any claim, complaint, sanction or litigation and had not been subject to any order for compulsory winding up since its incorporation up to the date of deregistration.

Accordingly, Number Nineteen does not form part of our Group upon Listing.

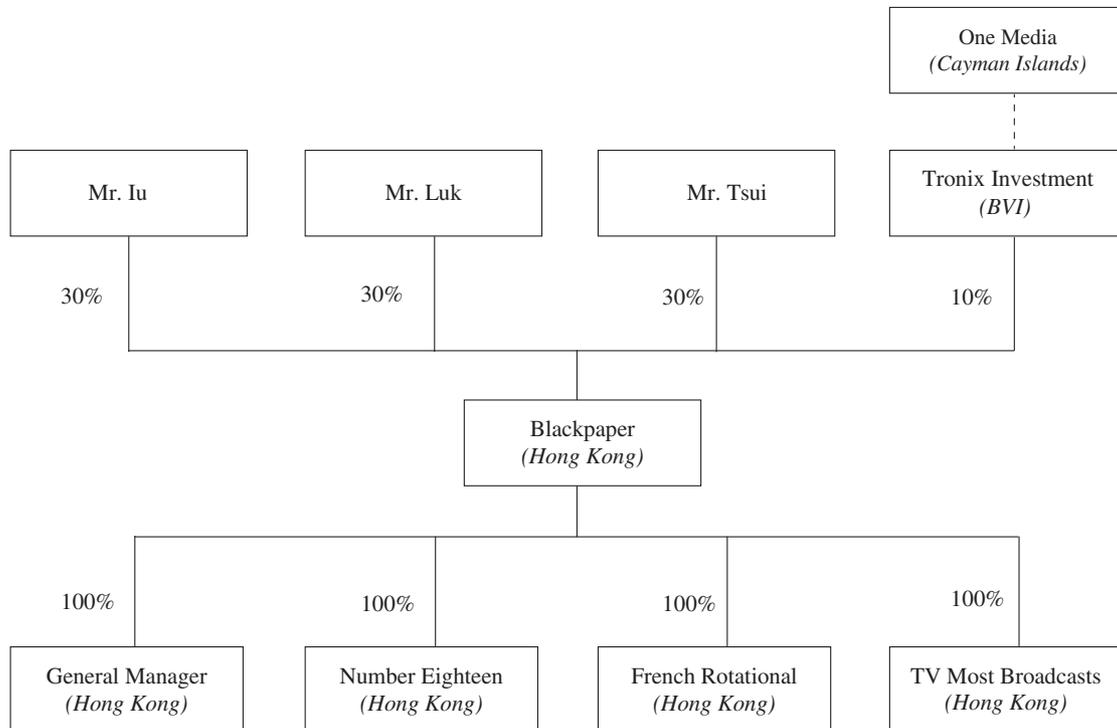
# HISTORY, DEVELOPMENT AND REORGANISATION

## REORGANISATION

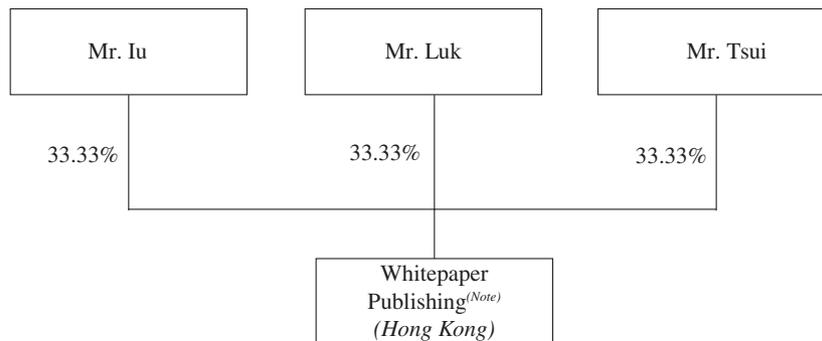
As part of our restructuring in contemplation of the Listing, we have implemented the Reorganisation which was completed on 12 September 2017. Upon completion of the Reorganisation, our Company became the holding company of all our 11 subsidiaries. All of our subsidiaries are private companies.

The following charts set forth the shareholding structure of our Group immediately before the Reorganisation:

### Blackpaper and its subsidiaries



### Whitepaper Publishing



*Note:* Please refer to the paragraph headed “Corporate history and structure – Our subsidiaries – Whitepaper Publishing” in this section for details as to the arrangement for the assignment of revenue and costs between Blackpaper and Whitepaper Publishing.

————— Directly held  
 - - - - - Indirectly held

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## HISTORY, DEVELOPMENT AND REORGANISATION

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In preparation for the Listing, we carried out the Reorganisation which involved the following material steps:

### **(I) Incorporation of our Company**

On 8 June 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, the initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each.

Upon incorporation of our Company, one Share was allotted and issued at par, credited as fully paid, to Mapcal Limited as the initial subscriber, and such Share was transferred to Blackpaper BVI on the same day.

On 23 June 2017, our Company issued a further eight Shares to Blackpaper BVI at par and issued one Share to Tronix Investment at par.

Our Company was registered under Part 16 of the Companies Ordinance as a non-Hong Kong company on 25 July 2017.

### **(II) Incorporation of Most BVI**

On 9 June 2017, Most BVI was incorporated under the laws of the BVI with limited liability. As at the date of its incorporation, Most BVI was authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each.

On 23 June 2017, one share in Most BVI was allotted and issued at par, credited as fully paid, to our Company, after which Most BVI became a direct wholly-owned subsidiary of our Company.

### **(III) Incorporations of General Productions, Most Multimedia, Most Publishing and Number Eighteen BVI**

On 12 June 2017, General Productions, Most Multimedia, Most Publishing and Number Eighteen BVI were incorporated under the laws of the BVI with limited liability to act as intermediate holding companies in our Group. As at the date of their incorporation, each of General Productions, Most Multimedia, Most Publishing and Number Eighteen BVI was authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each.

On 23 June 2017, one share in each of General Productions, Most Multimedia, Most Publishing and Number Eighteen BVI was allotted and issued at par, credited as fully paid, to Most BVI, after which General Productions, Most Multimedia, Most Publishing and Number Eighteen BVI became indirect wholly-owned subsidiaries of our Company.

### **(IV) Acquisitions of subsidiaries by our Group**

#### ***(a) Transfer of shares in Number Eighteen to Number Eighteen BVI***

On 12 July 2017, Blackpaper, Number Eighteen BVI and our Company entered into a share swap agreement pursuant to which Blackpaper transferred one share in Number Eighteen, representing the entire issued share capital of Number Eighteen, to Number Eighteen BVI.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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In consideration of the acquisition, our Company allotted and issued nine Shares and one Share, credited as fully paid, to Blackpaper BVI and Tronix Investment, respectively in accordance with the instruction given by Blackpaper.

***(b) Transfer of shares in French Rotational to General Productions***

On 12 July 2017, Blackpaper, General Productions and our Company entered into a share swap agreement, pursuant to which Blackpaper transferred one share in French Rotational, representing the entire issued share capital of French Rotational, to General Productions.

In consideration of the acquisition, our Company allotted and issued nine Shares and one Share, credited as fully paid, to Blackpaper BVI and Tronix Investment, respectively in accordance with the instruction given by Blackpaper.

***(c) Transfer of shares in General Manager to General Productions***

On 12 July 2017 and on 12 September 2017, Blackpaper, General Productions and our Company entered into a share swap agreement and a supplemental deed respectively, pursuant to which Blackpaper transferred three shares in General Manager, representing the entire issued share capital of General Manager, to General Productions.

In consideration of the acquisition, our Company allotted and issued nine Shares and one Share, credited as fully paid, to Blackpaper BVI and Tronix Investment, respectively in accordance with the instruction given by Blackpaper.

***(d) Transfer of shares in TV Most Broadcasts to Most Multimedia***

On 12 July 2017, Blackpaper, Most Multimedia and our Company entered into a share swap agreement, pursuant to which Blackpaper transferred one share in TV Most Broadcasts, representing the entire issued share capital of TV Most Broadcasts, to Most Multimedia.

In consideration of the acquisition, our Company allotted and issued nine Shares and one Share, credited as fully paid, to Blackpaper BVI and Tronix Investment, respectively in accordance with the instruction given by Blackpaper.

***(e) Transfer of shares in Whitepaper Publishing to Most Publishing***

On 12 July 2017, Mr. Iu, Mr. Luk, Mr. Tsui and Most Publishing entered in to a sale and purchase agreement, pursuant to which each of Mr. Iu, Mr. Luk and Mr. Tsui transferred one share in Whitepaper Publishing, representing the entire issued share capital of Whitepaper Publishing, to Most Publishing for cash considerations of HK\$814, HK\$814 and HK\$814 respectively which were determined with reference to the net assets value of Whitepaper Publishing as at 31 May 2017.

## HISTORY, DEVELOPMENT AND REORGANISATION

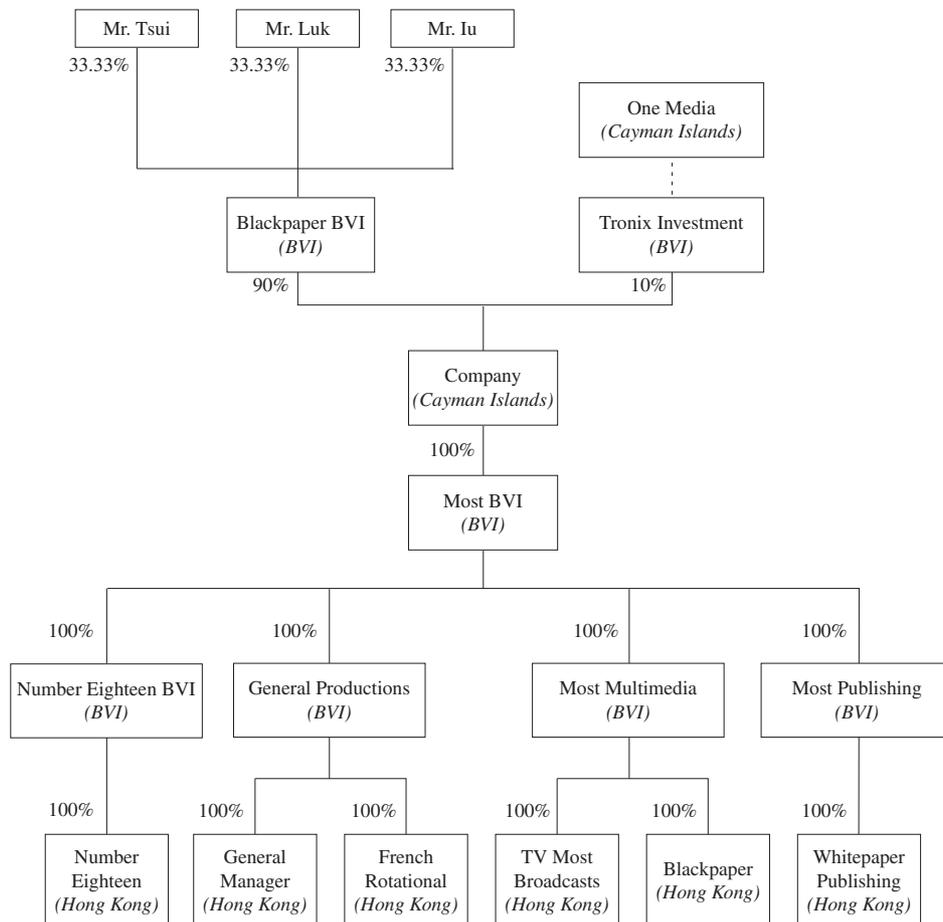
### (f) *Transfer of shares in Blackpaper to Most Multimedia*

On 13 July 2017, Mr. Iu, Mr. Luk, Mr. Tsui, Tronix Investment, Most Multimedia and our Company entered into a share swap agreement, pursuant to which Mr. Iu, Mr. Luk, Mr. Tsui and Tronix Investment transferred all their shares in Blackpaper, to Most Multimedia.

In consideration of the acquisitions, our Company allotted and issued nine Shares and one Share, credited as fully paid, to Blackpaper BVI and Tronix Investment, respectively in accordance with the instructions given by Mr. Iu, Mr. Luk, Mr. Tsui and Tronix Investment.

Upon completion of the above transfers, Number Eighteen, General Manager, French Rotational, TV Most Broadcasts, Whitepaper Publishing and Blackpaper became indirect wholly-owned subsidiaries of our Company.

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but before the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):



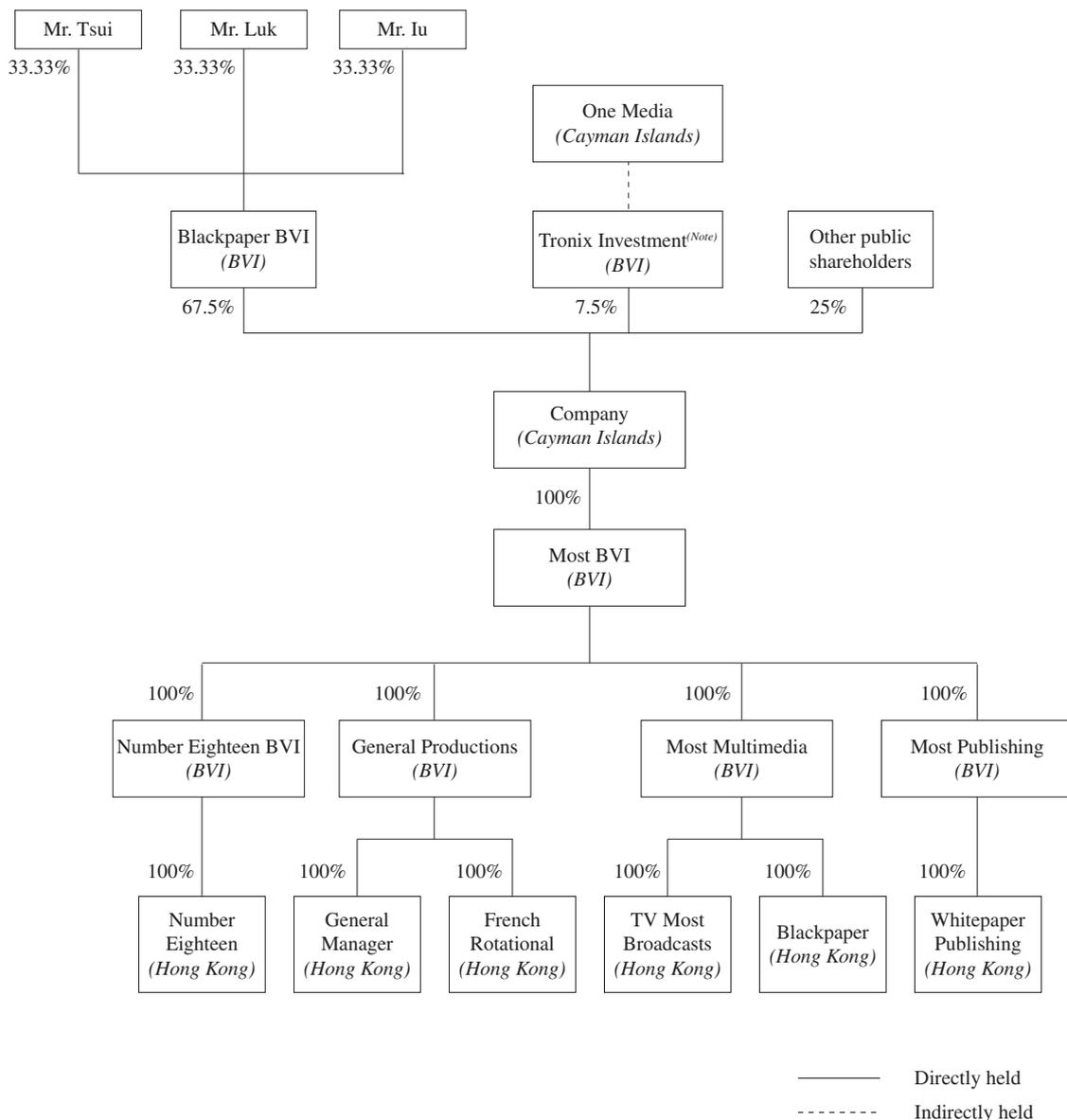
————— Directly held  
 - - - - - Indirectly held

# HISTORY, DEVELOPMENT AND REORGANISATION

## CAPITALISATION ISSUE AND SHARE OFFER

Our Company will issue certain new Shares under the Share Offer, and certain new Shares to the existing Shareholders pursuant to the Capitalisation Issue, resulting in not less than 25% of the enlarged issued share capital of our Company being offered under the Share Offer and the remaining 75% held by our Controlling Shareholders and Tronix Investment.

The following chart sets out the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):



*Note:* The Shares held by Tronix Investment will be considered as part of the public float under Rule 8.24 of the Listing Rules.

### OVERVIEW

We provide integrated advertising and media services to customers which can be categorised into (i) digital media services under which we provide a one-stop advertising solution package to our customers, with different types of advertisements including video, online banner, newsfeed and advertorial, through various distribution channels including the Digital Media Platforms (which include (a) our respective fan pages of “100 Most” (100毛), “TVMost” (毛記電視) and our contracted artistes on the third party social media platforms and (b) “TVMost” website and mobile application operated by our Group), third parties’ TV channels, Internet and physical advertising spaces; (ii) print media services which include (a) advertorial production and advertisement placement services in our 100 Most Magazine and (b) sales of our 100 Most Magazine, our book publications and our Blackpaper Magazine (publication ceased on 1 January 2017); and (iii) other media services which include events organisation and artistes management. Through these media platforms, we distribute our creative content featuring our own distinctive style. All our revenue during the Track Record Period was generated in Hong Kong.

Our Group commenced our business as a print media services provider offering advertorial production and advertisement placement services and providing print media publications including Blackpaper Magazine, 100 Most Magazine and various titles of books. With our expanded viewer base after we started publishing creative content primarily on our TVMost website and respective fan pages of “100 Most” and “TVMost” on one of the most popular third party social media platforms which constantly sparks discussions among the community in Hong Kong, our integrated advertising and media services evolved with increasing types of advertisements and distribution channels. We diversified our business from print media to digital media and have become capable of providing a diverse type of advertisements under our digital media services including video, online banner, newsfeed and advertorial on various distribution channels including our TVMost website, our TVMost mobile application, third party social media platforms, third parties TV channels, Internet and physical advertising spaces. Also, we further expanded the scope of our other media services under the integrated advertising and media services by way of organising events which provides advertising and media services through our sponsorship package and our contracted artistes’ participation in the advertisements and events.

The advertising and media industry is characterised by rapidly changing environment and changing viewer preference. Our Group’s successful diversification to digital media services over the years by offering prevailing types of advertisements through popular distribution channels of the time demonstrates that our Group is adaptable on the rapidly changing environment of the advertising and media market, primarily leveraging on our competitive strengths with details set forth under the sections headed “Business – Competitive strengths” and “Industry overview – Entry barriers of online advertising industry in Hong Kong – Factors leading to our success to initially overcome the industry entry barriers” in this prospectus. Our Group endeavours to closely monitor the changing user preference of online platforms and would further expand our reach to other media platforms as and when appropriate. As at the Latest Practicable Date, our Group has also diversified our distribution channels by publishing creative content on other social media platforms which are also popular among younger generation groups.

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Leveraging on the popularity of our brands “100 Most” and “TVMost”, we intend to continuously develop our digital and print media services segments and strengthen our efforts in organising events to further extend our marketing channels to physical arena other than digital and print media to further promote our brand awareness and expand our customer base.

Our print publications are well-known to the general public in Hong Kong and each type of publications possesses its own distinguishing features. Our Blackpaper Magazine was a one-sheet Chinese language magazine normally featuring one celebrity in Hong Kong in each issue. It was first launched in January 2010 and the last issue was in December 2016. Our 100 Most Magazine is a weekly Chinese language magazine. As we target younger generation groups in Hong Kong as our readers, each issue of our 100 Most Magazine covers around a hundred short articles created by us on general entertainment topics. It was first launched in March 2013 and is issued every Thursday and distributed for sales mainly in convenience stores, bookstores chains and newsstands in Hong Kong and Macau. We started our book publication business since May 2013 and our publications cover a variety of topics mainly including fiction, prose, entertainment and documentary. Our authors include our founders and Controlling Shareholders, who are well-known figures in the media industry in Hong Kong, and our contracted artistes. Our book publications are distributed for sales mainly in bookstore chains in Hong Kong.

Leveraging the extensive readership of our print publications we have established throughout years of operations and to cater for the change of readers’ preference from print media to digital media in light of the digitalisation trend in recent years, we started launching our own media platforms, which are TVMost website and mobile application since May 2015 and November 2015, respectively, and distributing our creative content thereon to extend our content delivery network, thereby increasing our exposure and expanding our reach to a broader base of viewers. Our TVMost website and mobile application are updated periodically to capture topics that interest younger generation groups which can take an array of content types, including videos, advertorials, newsfeeds and online programmes which are generally entertainment in nature. Since mid-2017, we have experienced a decline of page views on our TVMost website to over 231,000 monthly page views in December 2017 as we have focused on updating creative content on our “100 Most” and “TVMost” fan pages on a third party social media platform (with details below) which are considered as the designated advertisement distribution platforms among our customers. During the Track Record Period, the majority of our creative works were produced based on our original ideas and some of our creative content involved parody works, for instance, cinematic adaptations, lyrics modifications and adaptations of photographs and/or content from public domain.

Apart from distribution on our own media platforms, we have also started publishing creative content mainly on our respective fan pages of “100 Most” and “TVMost” on one of the most popular third party social media platforms since March 2013 and May 2015, respectively, to maintain our competitiveness in the rapidly evolving advertising and media industry. Such platforms facilitate our content distribution and allow viewers of our fan pages to share the content published from time to time, thereby increasing our exposure and expanding our reach to a broader base of viewers. As at the Latest Practicable Date, we received more than 1.1 million and 0.7 million “likes” on our respective fan pages of “100 Most” and “TVMost” on such social media platform. The content we published thereon

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primarily focus on instant news and/or hot topics discussed on the Internet with an aim to retain attractiveness of our fan pages on such platform. Our Directors are of the view that these content are considered as instant creation and are generally different from our creative content in our weekly-published 100 Most Magazine. Save that our Group distributes covers of certain issues of our 100 Most Magazine and certain book publications on the Digital Media Platforms for promotional purpose, the textual content of our print publications are and will not be redistributed on such platforms. As such, the content of our Group's print publications generally does not overlap with those distributed on other media platforms and there will be no detrimental effect on the demand for our print publications.

Over the years of our operations, our print publications and creative content distributed on the Digital Media Platforms have been receptive and have attracted a broad base of readership with a diversified readership profile, ranging from teenagers to young adults. As one of the advertising and media market players in Hong Kong, we possess strong brand name recognition in the industry and have amassed a large base of visitors and followers who enjoy our creative content on various media channels, including the Digital Media Platforms, our print media platforms, third parties' TV channels, Internet and physical advertising spaces. As a result of the popularity of our creative content among our target audience and the enhancement of our brand names, our media platforms and our pages on social media platforms operate as cross-selling platforms with an extensive readership coverage which attract multinational customers, including brand owners and their advertising agencies to engage us for advertising and media services on those platforms.

### COMPETITIVE STRENGTHS

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

#### **Well-established brand names in the advertising and media industry that attract customers for our advertising and media services**

We are an integrated advertising and media services provider known by our 100 Most Magazine (100毛) and "TVMost" (毛記電視) website we operate. Our brand is attributable to the collective creativity and sense of humour of our executive Directors and operation teams, our deep understanding of visitors' and followers' taste, our creative design and production and our effective use of popular social media platforms for content distribution, which enable us to be the forefront in capturing our social media followers' and visitors' interests and deliver creative content featuring our own distinctive style which are widely receptive and constantly sparking discussions among the broader community in Hong Kong. As at the Latest Practicable Date, we received more than 1.1 million and 0.7 million "likes" on our respective fan pages of "100 Most" and "TVMost" on one of the most popular third party social media platforms. As one of the advertising and media market players in Hong Kong, we possess strong brand recognition in the industry and have amassed a large base of visitors and followers who enjoy our creative content on various media channels, including the Digital Media Platforms, print media platform, third parties' TV channels, Internet and physical advertising spaces. Followers and visitors of our creative content on social media platforms may read and share our updates, articles and videos on such platforms which provide us with exponential exposure to our target audience.

As we empower advertisers to reach a broad base of audience through our creative content, we attract a diverse base of customers, including high-profile multinational brand owners, to engage us for provision of our integrated advertising and media services during the Track Record Period ranging from slogan design, marketing strategy and direction planning, advertising ideas conceptualisation and formulation, advertisement production and editing, artistic and digital graphics design to media distribution. For details of representative projects undertaken by us, please refer to the paragraph headed “Integrated advertising and media services – (A) Digital media services – Representative projects undertaken” in this section below.

### **Capability of addressing the diversified advertising needs of our customers through provision of our integrated advertising and media services**

Our integrated advertising and media business model offers a wide spectrum of advertising services on different media platforms, including our one-stop advertising solution package to our customers under the digital media services segment which can satisfy the diversified advertising needs of the advertisers. We provide flexibility in our service offerings so that our customers can select the specific advertising and media services to serve their marketing objectives and we ensure the service fees for the customised services we provide fall within our customers’ advertising budgets. We believe our service approach provides the advertisers with greater efficiency and flexibility in the allocation of their advertising budgets and promotion of their brands, products or services. Our Directors also believe that our integrated advertising and media services help ensure the smooth running of various parts of a single project by reducing the time and resources required of the advertisers and our Group in project coordination and execution of advertising ideas.

Going forward, we will continue our efforts in enhancing the quality of our services and strengthening the portfolio of our services. Our Directors believe that our proven track record in serving reputable customers would help us retain our existing customers and further broadening our customer base.

### **Well-established business relationships with our customers from diverse industries**

Our customers comprise mainly local and multinational brand owners and advertising agencies of brand owners during the Track Record Period. Our advertisers are engaged in a wide variety of industries and most of our advertising agency customers are the leading and sizeable players in the advertising industry in Hong Kong. We believe that having customers from a wide variety of industries reduces the risk of over concentration on any particular industry which prevents us from being vulnerable to seasonality, economic cycles and fluctuations in a particular industry.

As at the Latest Practicable Date, we have maintained business relationships of approximately five years with most of our major customers. We believe that, by establishing close relationships with our customers, we are able to familiarise ourselves with the customers’ corporate cultures, advertising budgets and preferences so that we can better manage their expectations and offer them customised services that serve their marketing objectives.

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### **Experienced management team and creative and responsive execution team**

Each of our executive Directors who are also the founders of our Group, namely Mr. Iu, Mr. Luk and Mr. Tsui, has over ten years of experience in the media and entertainment industry and seven years of experience in the advertising industry since the founding of our Group. Our senior management team members are experienced in the art, creative media and sales and marketing industry, respectively, and each of them has over five, ten and ten years of experience in their respective industries. We believe that the extensive experience and in-depth market knowledge possessed by our management team and our executive Directors enables us to keep abreast of the latest market trends, understand the needs of our customers and provide high quality customised advertising and media services to our customers. For details and biographies of our executive Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus.

Our management team is supported by a team of creative and responsive employees who are devoted to advertisement production and capable of executing creative marketing ideas. As we expand our service offerings and diversify into digital media services, events organisation and artistes management business, our Group has been expanding our operation teams to support the daily operation of our business segments. Our daily execution work have been increasingly handled by our operation teams which generally operate independently from the involvement of our executive Directors. Our operation teams have different responsibilities and they work collectively amongst each other to provide the services tailored to the needs of our customers. As at the Latest Practicable Date, we had three operation teams, namely (i) the sales and marketing team which is mainly responsible for sales and pitching activities, customers liaison and management for the promotion of our business; (ii) the design and production team which is mainly responsible for (a) creating and producing the artworks in our creative productions across different business segments and (b) creating advertisement and/or advertorial to be distributed on the Digital Media Platforms; and (iii) the editorial and publication team which is mainly responsible for continuously updating creative content on the Digital Media Platforms (excluding our contracted artistes’ fan pages on third party social media platforms) and monitoring responses thereon, creating content for our TVMost online programmes and our 100 Most Magazine and assisting in publishing work for our print media and digital media services. For further details on our operation teams and their respective roles, please refer to the paragraph headed “Our operation teams and key personnel” in this section below. As the majority of our target audience are the younger generation groups in Hong Kong, our operation teams are essential for us to support our business operation and maintain competitiveness in the rapidly evolving advertising and media industry.

### **BUSINESS STRATEGIES**

We aim to become one of the most influential integrated advertising and media services providers through the following strategies.

#### **Pursue growth through acquisitions and/or strategic alliance**

We intend to increase our presence in our existing markets through selected merger and acquisition opportunities and/or strategic alliance with identified market players in the industry. We have been seeking to acquire market players whose businesses, service growth

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potential and brand recognition are complementary to ours or companies which will have the potential growth upon or after being acquired by us, thereby enhancing the operational efficiency of our service delivery and/or expanding the portfolio of our services. In particular, we target those companies engaged in video production, event marketing, digital advertising and media service and technology development activities to enhance our horizontal growth. Generally, we will focus on targets with relatively small operation scale which our Group could obtain control after acquisition. Such targets could be small scale entities operated by individuals which we are acquainted with or are recommended by industry referral. In selecting these acquisition and/or cooperation targets, we mainly assess (i) the quality and competitiveness of their works and/or services; (ii) the consideration for the acquisition; (iii) the background of the target companies and/or their management and expertise; (iv) the level of complementary effect to the image and working style of our Group; and (v) the possible business synergies to our Group and the anticipated profitability of the target.

Leveraging on the experience and network of our management in the advertising and media industry, our Directors are of the view that there are some potential targets engaging in the aforementioned services available in the market with which we may pursue mergers and acquisitions opportunities. As at the Latest Practicable Date, we have not identified any potential acquisition target or entered into any agreement for any acquisition or strategic alliance, nor have we conducted any detailed feasibility study on specific potential targets. We had no intention to acquire any company or business which would lead to a material change of the current principal business and/or corporate structure of our Group.

Our Directors believe that our mergers and acquisitions initiatives enable us to (i) minimise our production costs in the long run since our production costs can be better controlled and monitored by our Group internally and we could be less subject to price fluctuations of third party subcontractors; and (ii) facilitate our production and streamline our operation as we can minimise the time and resources involved in liaising with third party subcontractors on the production schedule and/or accommodating their work schedule. Our Group intends to apply approximately HK\$15.0 million, representing approximately 28.4% of the net proceeds from the Share Offer to pursue our acquisition and/or alliance opportunities.

### **Expand our customer base and business operations through sales and marketing efforts**

While our print media services segment has become relatively established throughout the years of operation since its commencement and we do not require additional or significant resources to achieve sustainable development of the service segment, our Directors believe the continual increase in Internet penetration and mobile connected device users would facilitate the public accessibility to various digital media, thereby increasing the demand for digital media services in Hong Kong. In view of the market potential and demand, we intend to continue to expand our customer base in Hong Kong and strengthen our relationship with our existing customers through sales and marketing efforts. We plan to hire additional sales executives in the second quarter of 2018 to support our business growth in digital media services segment through sales support to a broader range of brand owners and advertising agencies in the provision of our integrated advertising and media services to strengthen our relationship with our customers. In the meantime, we will also have to continue to accurately identify the needs of our customers and present our creative ideas and plans. In this respect, we aim to recruit marketing staff to assist in conducting pitching activities to build up and strengthen relationship with a broader customer base. Our sales and marketing staff will also conduct digital marketing activities to achieve search engine optimisation and optimise our use

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of different digital media platforms as content distribution channels and organise physical marketing campaigns to further enhance the overall brand awareness of our Group. In addition, we also plan to invite selected key opinion leaders (KOLs), advertising agencies and/or experts from different industries in Hong Kong to deliver seminars and training programmes relating to our business, operation and/or market development to our staff so as to keep our staff abreast to the latest market knowledge on a regular basis. In addition, in order to derive commercial benefit from our large base of followers and visitors, we plan to perform a more comprehensive data analysis regarding the preferences of our followers and visitors to obtain ideas for producing creative content which appeal to our target audience. It is our plan that the newly hired marketing staff will also conduct such data analysis to enhance our edge in the market. Our Group intends to apply approximately HK\$11.6 million, representing approximately 21.9% of the net proceeds from the Share Offer to expand our team to strengthen our sales and marketing efforts.

### **Upgrade IT infrastructure and procure equipment with advanced technologies to facilitate production efficiency**

IT forms an important part of our digital media services. The revenue generated from our digital media services amounted to nil, approximately HK\$28.4 million, HK\$74.5 million and HK\$50.6 million during the Track Record Period, representing nil, approximately 51.8%, 78.2% and 91.3% of our revenue during the same periods, respectively. To improve the visual quality of our production on the Digital Media Platforms and facilitate our production efficiency, we intend to upgrade our TVMost website, mobile application and the internal IT system of our Group and to procure new production equipment with advanced technologies. The new production equipment we plan to acquire in the first half of 2018 can produce visual images of different picture qualities for use in projects of different scale and complexity so as to satisfy the varying needs of our customers and further differentiate our Group apart from competitors. We also expect to launch our upgraded TVMost website and mobile application by the first half of 2018. Our Group intends to apply approximately HK\$11.0 million, representing approximately 20.8% of the net proceeds from the Share Offer to upgrade the relevant IT infrastructure and procure new equipment.

### **Strengthen our efforts in events organisation to further extend our marketing channels**

Leveraging on the success of the two major events we held in 2016 namely the Awards Ceremony and the Anniversary Ceremony, we plan to organise an event in each of the years ending 31 March 2019 and 2020 respectively (in addition to the 2018 April Talk Show) to further extend our marketing channels to physical arena to further promote our brand awareness and strengthen our event portfolio. To support our initiative, we plan to expand our existing design and production team by hiring two new staff who have experience in events organisation, so that the events can be organised to achieve optimal marketing effect. Our Group intends to apply approximately HK\$10.0 million, representing approximately 18.9% of the net proceeds from the Share Offer to achieve this purpose.

For details of our use of proceeds from the Share Offer, please refer to the section headed “Future plans and use of proceeds – Use of proceeds” in this prospectus.

### OUR CREATIVE CONTENT AND MEDIA PLATFORMS

We are an integrated advertising and media services provider striving to curate the most trendy and creative content that appeal to our target audience who are generally the younger generation groups in Hong Kong. As at the Latest Practicable Date, our creative content mainly included those published on the Digital Media Platforms, such as videos, online banners, newsfeeds and advertorials and our print media content which included our 100 Most Magazine, the advertorials and advertisements printed therein and our book publications.

During the Track Record Period, the majority of our creative works were produced based on our original ideas and some of our creative content involved parody works, for instance, cinematic adaptations, lyrics modifications and adaptations of photographs and/or content from public domain.

#### Digital media

Our Group has established brands of “黑紙” and “100 Most” through the launch of our print media services since 2010. Leveraging the extensive readership of our print publications we have established throughout years of operations and to cater for the change of readers’ preference from print media to digital media in light of the digitalisation trend in recent years, our Group has formally launched the digital media services in the year ended 31 March 2016 to diversify our service offerings from print to digital media platforms. While the business diversification of our Group has not changed the nature of our business, that is, creative content production, and the overall business model of our Group, the launch of our own media platforms and our fan pages on third party social media platforms has enhanced our advertisement distribution capability, thereby maximising the advertising and promotional effects of our creative content.

The creative content on the Digital Media Platforms are updated by us periodically to capture the interests of our target audience. To cater for different interests of our audience, apart from sharing articles and videos sourced from third party social platforms on our TVMost website and mobile application, we also produce a series of online programmes featuring our own distinctive style to cover a variety of topics which are accessible on our TVMost website and mobile application. During the Track Record Period, examples of our programmes were 六點半左右新聞報道, 星期三港案 and 今日問真啲. Our programmes are generally hosted by our own artistes and staff and are receptive among our audience which go viral on social media channels and spark insightful discussions among the viewers and the broader community in Hong Kong. Since the launch of our TVMost website in May 2015, we have accumulated over 200 million page views up to the Latest Practicable Date, while our mobile application was launched in November 2015 and we have recorded an aggregate of over 500,000 downloads under two of the most popular smartphone operating systems up to the same date.

Apart from distribution on our own media platforms, we have also started publishing creative content mainly on our respective fan pages of “100 Most” and “TVMost” on one of the most popular third party social media platforms since March 2013 and May 2015, respectively, to maintain our competitiveness in the rapidly evolving advertising and media

industry. Such platforms facilitate our content distribution and allow viewers of our fan pages to share the content published from time to time, thereby increasing our exposure and expanding our reach to a broader base of viewers. As at the Latest Practicable Date, we received more than 1.1 million and 0.7 million “likes” on our respective fan pages of “100 Most” and “TVMost” on such social media platform.

### **Print media**

During the Track Record Period, we published two magazines, namely Blackpaper Magazine and 100 Most Magazine, which are entertainment in nature targeting the younger generation groups in Hong Kong. Blackpaper Magazine and 100 Most Magazine were first launched in January 2010 and March 2013, respectively, and as a result of our management’s decision to reallocate resources among our different services, publication of Blackpaper Magazine ceased on 1 January 2017. 100 Most Magazine is issued every Thursday and distributed for sales mainly in convenience stores, bookstore chains and newsstands in Hong Kong and Macau, and each issue covers around a hundred of short articles on general entertainment produced by our Group. Apart from our 100 Most Magazine, our publications also include book publications which were distributed for sale in bookstore chains in Hong Kong as at the Latest Practicable Date.

During the Track Record Period, our revenue generated from our print media services segment decreased from approximately HK\$23.8 million for the year ended 31 March 2015 to approximately HK\$22.7 million for the year ended 31 March 2016 and further decreased to approximately HK\$9.8 million for the year ended 31 March 2017. Our revenue derived from print media services for the eight months ended 30 November 2016 was approximately HK\$8.1 million, which was decreased to approximately HK\$4.6 million for the corresponding period in 2017. During the same periods, the segment gross profits were approximately HK\$15.1 million, HK\$12.8 million, HK\$2.1 million and HK\$0.3 million, respectively. The decreased gross profits derived from print media services over the Track Record Period was mainly attributable to a decrease in sales of our magazines and book publications as a result of the decreasing market preference on print publications and the sluggish development of the overall print media industry.

Our Directors believe that maintaining and expanding the readership of our print publications is crucial for the sustainable development of our print media services business. We are dedicated to capturing the latest trendy topics that interest younger generation groups in our 100 Most Magazine and having popular artistes and celebrities to appear on its cover stories. We would also use our fan pages on social media platforms as our cross-selling platforms effectively to attract new readers and our customers who placed advertisements on the Digital Media Platforms to extend their advertising platform to our 100 Most Magazine. In addition, our editorial and publication team has actively approached popular book authors and Internet celebrities (including our contracted artistes) to author book publications which cover a wider range of topics to attract readers with different preferences. Furthermore, our Group intends to enhance our book publications marketing efforts by continuing to participate in the annual book fair.

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In addition, we have implemented measures to lower our operating costs in our print media service business. We entered into a renewal contract with one of our suppliers, being the printing house of our 100 Most Magazine, at a lower printing price rate as compared to the previous contracts. To improve our cost efficiency, we had reassessed the resources allocated to each of our business segments and reallocated resources according to our business needs. We also promoted sharing of resources among our different operation teams, for example, our editorial staff who used to be solely responsible for our print media services had been allocated to concurrently assist in the editorial content on the Digital Media Platforms to facilitate better manpower management.

Our creative content in both digital and print formats have attracted high level of popularity from our audience and this serves as an effective marketing tool for our Group to attract advertisers to engage us for our integrated advertising and media services.

### OUR PRINCIPAL BUSINESS

We are an integrated advertising and media service provider in Hong Kong providing a wide spectrum of integrated advertising and media services to advertisers from a diversified spectrum of industries. During the Track Record Period, we derived revenue from provision of (i) digital media services; (ii) print media services; and (iii) other media services which include events organisation and artistes management. The table below sets out our customers, sources of revenue, distribution platforms and fees earned by our Group under each business segment during the Track Record Period:

Business segments	Customers	Sources of revenue	Distribution platform(s)	Fees
Digital media services	Advertising agencies of brand owners, brand owners and others	Provision of one-stop advertising solution package	Digital Media Platforms, third parties' TV channels, Internet and physical advertising spaces subject to the needs of our customers	Advertising fees
Print media services	(i) Advertising agencies of brand owners, brand owners and others	(i) Advertorial production and advertisement placement services	100 Most Magazine, Blackpaper Magazine (publication ceased on 1 January 2017)	Advertising fees
	(ii) Magazine Distributor and Book Distributor (for sales of publications to distributors) and readers (for sales of publications to customers in book fairs and events)	(ii) Sales of publications including books published by our Group, Blackpaper Magazine (publication ceased on 1 January 2017) and 100 Most Magazine	Bookstores, newsstands, online bookstores and convenience stores in Hong Kong and Macau, where appropriate	Income generated from sales of our publications

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Business segments	Customers	Sources of revenue	Distribution platform(s)	Fees
Other media services	(i) For events organisation: brand owners, advertising agencies of brand owners and others as well as public audience	(i) (a) providing sponsorship package including brand name logo credit in event promotional materials and other advertising and media services requested by our customers; (b) providing our stage performance in the events; (c) sales of tickets of the events organised by our Group; (d) granting right and licence to a third party to broadcast our Anniversary Ceremony on live on a designated free TV channel; and (e) sales of our brand products and publications to the audience	Public arena	Advertising fees and ticketing fees
	(ii) For artistes management: brand owners, advertising agencies of brand owners and others	(ii) Our contracted artistes appearing in advertisements we produced for our customers and events we organised as well as other activities organised by third party customers	N/A	Artistes management fees

Our revenue generated during the Track Record Period recorded a significant increase from approximately HK\$24.0 million for the year ended 31 March 2015 to approximately HK\$54.8 million for the year ended 31 March 2016 and further increased to approximately HK\$95.2 million for the year ended 31 March 2017. Such increase was mainly attributable to the diversification of our services to the Digital Media Platforms since the year ended 31 March 2016 to cater for the changing consumers' preferences due to digitalisation, which accounted for nil, approximately 51.8%, 78.2% and 91.3% of our revenue during the three years ended 31 March 2017, respectively, and the revenue derived from the two events we organised in January and May 2016. Following the official launch of our "TVMost" website in May 2015, we have expanded the distribution of our creative content through the Digital Media Platforms and developed a broad base of viewers since then. Such enlarged audience base has effectively enhanced our brand recognition, thereby attracting customers to engage us for advertising and media services and increasing our revenue under the digital media services category.

According to the Ipsos Report, along with the emergence of information and communication technology and digital media, the trend of higher preference on online advertising has accelerated since 2014. Following the emergence of social media and the increasing number of consumers using various mobile devices such as smartphones and tablets since 2012, the growth of online advertising industry in Hong Kong is expected to continue in the future. However, following the digitalisation trend, the print media industry has steadily declined driven by the decreased preference of print media in Hong Kong.

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The table below sets forth a breakdown of our revenue by business segments and our gross profit and gross profit margin for the periods indicated:

	2015			For the year ended 31 March						For the eight months ended 30 November										
				2016			2017			2016			2017							
				(unaudited)																
	Revenue	Gross profit	Gross profit	Revenue	Gross profit	Gross profit	Revenue	Gross profit	Gross profit	Revenue	Gross profit	Gross profit	Revenue	Gross profit	Gross profit					
	HKS'000	%	HKS'000	HKS'000	%	HKS'000	HKS'000	%	HKS'000	HKS'000	%	HKS'000	HKS'000	%	HKS'000					
			margin (%)			margin (%)			margin (%)			margin (%)			margin (%)					
Digital media services <sup>(1)</sup>	-	-	-	28,402	51.8	21,139	74.4	74,478	78.2	47,842	64.2	57,677	75.7	39,422	68.3	50,550	91.3	27,590	54.6	
Print media services																				
- Advertorial production and advertisement placement	11,118	46.4		13,662	24.9			3,733	3.9			2,972	3.9			694	1.3			
- Magazines and book publications <sup>(2)</sup>	12,691	52.9		9,039	16.5			6,093	6.4			5,141	6.8			3,871	7.0			
	23,809	99.3	15,128	63.5	22,701	41.4	12,783	56.3	9,826	10.3	2,121	21.6	8,113	10.7	2,875	35.4	4,565	8.3	288	6.3
Other media services																				
- Events organisation <sup>(3)</sup>	177	0.7		3,371	6.2			10,459	11.0			10,254	13.5			-	-			
- Artistes management <sup>(4)</sup>	-	-		351	0.6			465	0.5			81	0.1			201	0.4			
	177	0.7	35	19.8	3,722	6.8	2,410	64.8	10,924	11.5	8,307	76.0	10,335	13.6	7,743	74.9	201	0.4	100	49.8
<b>Total</b>	<b>23,986</b>	<b>100.0</b>	<b>15,163</b>	<b>63.2</b>	<b>54,825</b>	<b>100.0</b>	<b>36,332</b>	<b>66.3</b>	<b>95,228</b>	<b>100.0</b>	<b>58,270</b>	<b>61.2</b>	<b>76,125</b>	<b>100.0</b>	<b>50,040</b>	<b>65.7</b>	<b>55,316</b>	<b>100.0</b>	<b>27,978</b>	<b>50.6</b>

*Notes:*

- (1) During the Track Record Period, the revenue of digital media services was generated from the provision of our one-stop advertising solution package to our customers. We formally launched our digital media services in the year ended 31 March 2016 to further diversify the coverage of our services from print to digital media. During the year ended 31 March 2015, we were requested by our customers to produce and distribute creative content in digital format including advertising videos and newsfeeds as ancillary service supplemental to their service contracts for print media services. Such trial production of videos and newsfeeds offered our Group an opportunity to tap into the digital media services segment in the subsequent financial year. We formally established TV Most Broadcasts and commenced operating our digital media services segment in the year ended 31 March 2016.
- (2) Our 100 Most Magazine was issued weekly on every Thursday during the Track Record Period. Our Blackpaper Magazine was issued on every first and fifteenth day monthly in 2014. From 1 January 2015 to 31 December 2015, our Blackpaper Magazine was issued on a weekly basis. From 1 January 2016 onwards, Blackpaper Magazine was issued on a monthly basis until the cessation of publication on 1 January 2017. The number of book titles published by our Group during the Track Record Period was 30, 33, 28 and 18, respectively.
- (3) In March 2015, we organised a book publishing event for a book author to promote the sales of our book publications. In January 2016 and May 2016, our Group organised two events in Hong Kong, being the Awards Ceremony and the Anniversary Ceremony, respectively.
- (4) As at 31 March 2015, 2016 and 2017 and 30 November 2017, we had two, 13, 17 and 19 contracted artistes under our management, respectively.

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The following table sets forth the number of on-going contracts of our Group with respect to our digital media, print media and other media services (except for the distribution agreements in relation to the sales of magazines and book publications), and the respective revenue to be recognised, as at the dates indicated:

	<b>As at</b>	
	<b>30 November 2017</b>	<b>Latest Practicable Date</b>
Number of on-going contracts	62	54
Aggregate outstanding contract value as at the given date and the corresponding revenue expected to be recognised	Approximately HK\$12.9 million as at the given date, of which approximately HK\$12.4 million and HK\$0.5 million are expected to be recognised for the years ending 31 March 2018 and 2019, respectively.	Approximately HK\$19.1 million as at the given date, of which approximately HK\$16.1 million and HK\$3.0 million are expected to be recognised for the years ending 31 March 2018 and 2019, respectively.

As confirmed by our Directors, it is not an industry practice for advertisers or brand owners to provide any periodical advertising budget to advertising service providers, including our Group, for a yearly or periodically planned service requirement schedule or enter into fixed-amount contracts on a long-term basis. During the Track Record Period, our service contracts were mostly entered into on a project basis with contract term of less than a year since most of our customers would only approach us for media services shortly before they launch their products and/or services with an aim to capture the latest hot topics that would interest the target consumers. As such, our service contracts generally have shorter project cycle, resulting in relatively fewer backlog contracts of our Group on hand at a particular time. With respect to service contract value, such value varies on a case-by-case basis, subject to various factors such as detailed scope of work and service offerings requested by our customers. Taking into consideration the historical contract value and the fewer number of backlog contracts of our Group, our Directors consider that the relatively minimal backlog contract in value shall be in line with the industry practice. For details of our existing distribution agreements entered into with the distributors, please refer to the section headed “Business – Integrated advertising and media services – (B) Print media services – Publication of our magazines and book publications” in this prospectus.

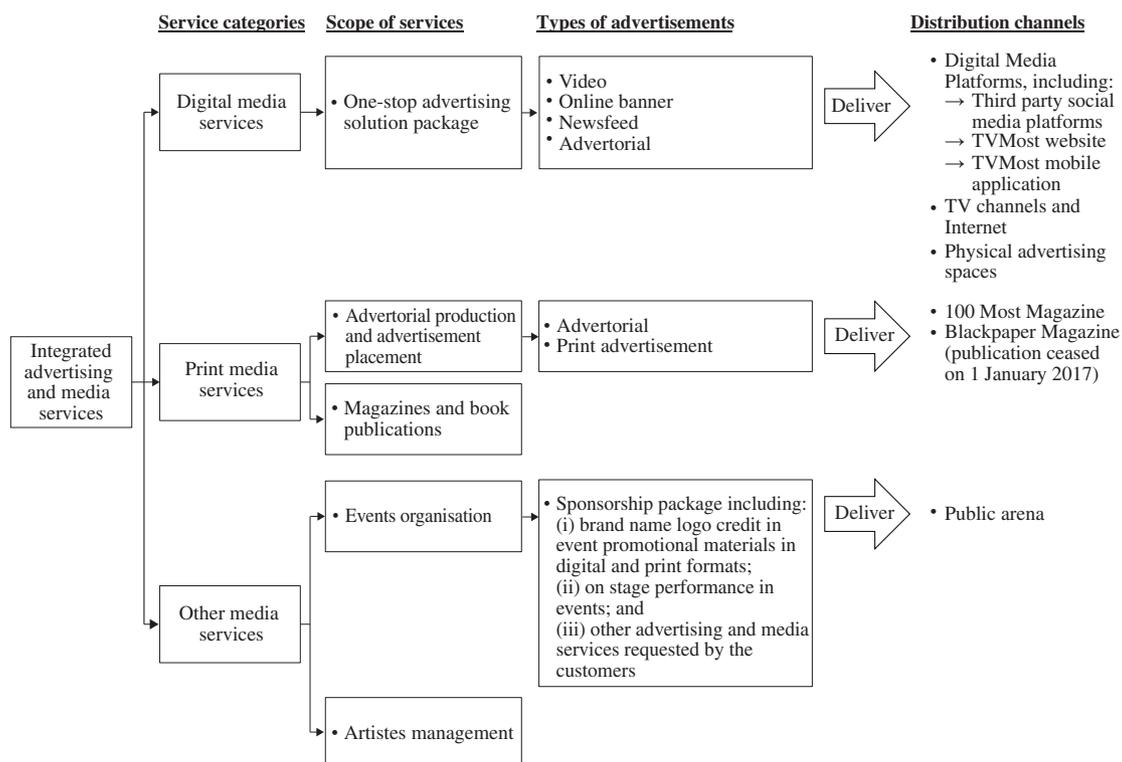
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Our revenue from the provision of our one-stop advertising solution package under the digital media services and advertorial production and placement services under the print media services segment during the Track Record Period (collectively as the “**advertising-related revenue**”) was mainly derived from advertising agencies and brand owners. The following table sets forth the breakdown of our advertising-related revenue by customer type and the respective number of customers for the periods indicated:

	For the year ended 31 March						For the eight months ended 30 November								
	2015		2016		2017		2016 (unaudited)		2017						
	HK\$'000	Number of customers	HK\$'000	Number of customers	HK\$'000	Number of customers	HK\$'000	Number of customers	HK\$'000	Number of customers	HK\$'000	Number of customers			
Advertising agencies	6,562	59.0	26	23,314	55.4	46	42,277	54.1	59	35,886	59.2	51	14,300	27.9	33
Brand owners and others	4,556	41.0	127	18,750	44.6	233	35,934	45.9	219	24,763	40.8	156	36,944	72.1	95
<b>Total advertising-related revenue/ number of relevant customers</b>	<b>11,118</b>	<b>100.0</b>	<b>153</b>	<b>42,064</b>	<b>100.0</b>	<b>279</b>	<b>78,211</b>	<b>100.0</b>	<b>278</b>	<b>60,649</b>	<b>100.0</b>	<b>207</b>	<b>51,244</b>	<b>100.0</b>	<b>128</b>

### INTEGRATED ADVERTISING AND MEDIA SERVICES

The following flowchart sets forth the general scope of our integrated advertising and media services, the types of advertisements we produce and the distribution channels of our creative content:



### **(A) Digital media services**

We are committed to providing customised advertising and media services pertaining to the characteristics and marketing objectives of our customers.

Our one-stop advertising solution package offers comprehensive and all-our-customers-need advertising and media services throughout the entire advertisement pre-production, production and distribution stages, ranging from slogan design, marketing strategy and direction planning, advertising ideas conceptualisation and formulation, content production and editing, artistic and digital graphics design, overall production management and coordination, artistes liaison to distribution of advertisements on specified media platforms. While our customers may engage us to provide one-stop advertising services, we also provide flexibility in our service offerings so that our customers can select the specific advertising and media services from our services package to serve their marketing objectives. We will provide customised services to their satisfaction and ensure the services fees fall within our customers' advertising budgets. Our executive Directors consider that, through providing a wide spectrum of services for our customers' selection, we offer value-added services to our customers which differentiate us from our competitors.

The advertisements we produce include an array of content types, including videos, online banners, newsfeeds and advertorials to be distributed on the Digital Media Platforms and offline channels such as third parties' TV channels and physical advertising spaces. In accordance with the terms of contracts we entered into with our customers, we also engaged in placement of advertisements produced by third party advertising companies on the specified Digital Media Platforms for an agreed duration on a project basis. Depending on the nature of services and complexity of our engagement, the advertisements we design and produce may take around a week to two months to publish after receiving instructions from our customers. For details of our operational flow under this service category, please refer to the paragraph headed "Our operational workflow for integrated advertising and media services" in this section below.

We generally design the advertisements by ourselves in accordance with our customers' needs and specifications and engage third party production houses to assist in the production of the advertisements including photo and video shooting and subsequent video editing and cutting. For details of the subcontracting arrangements and our quality control over the work performed by the subcontractors, please refer to the paragraph headed "Quality control – Subcontracting" in this section below.

During the Track Record Period, most of the advertisements (including those produced by our Group and third parties) were placed on the third party social media platforms and no fees were charged by such platforms for posting advertisements. However, we paid fees to one of the third party social media platforms for boosting the original posts to attract the attention of and expand the reach to users of such platforms. Such platforms allow the viewers of the advertisements to share the content published from time to time, thereby broadening the base of our online viewers. By subscribing to our fan pages on social media platforms, viewers become our followers and may share our advertisements with their friends within the platforms which increases our exposure and expands our reach to like-minded viewers. In occasions

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where our customers require distribution on platforms other than the Digital Media Platforms, such as third parties' TV channels, Internet or physical advertising spaces, our customers are required to pay us additional royalties and our customers will make their own arrangements with the relevant third parties for such distribution.

During the Track Record Period, we entered into service contracts with our customers on a project basis which may include the following material terms: (i) form and number of advertisement to be designed and produced; (ii) advertisement launch date; (iii) distribution channels of the advertisement designated by our customers and duration of publication on the specified Digital Media Platforms; (iv) details of production, including preparation of props, make-ups and styling of artistes, post-production video editing, colour tuning, and sound mixing; (v) amount and components of our services fees; and (vi) payment settlement. During the Track Record Period, our Group entered into nil, 414, 560 and 342 contracts on a project basis with our customers for services under our digital media services segment, out of which nil, 149, 228 and 54 contracts span across more than one services segment. The service fees we charged under such contracts range from a few thousands Hong Kong dollars to approximately HK\$2.5 million per contract during the Track Record Period, while the duration of such contracts ranges from less than a day to over one year. Accordingly, the portion of revenue contributed by the contracts varies depending on our customers' specifications, in which the contract with the highest service fees accounted for approximately 3.3% of our digital services segment revenue during the relevant period. Depending on, among other factors, the profile of our customers and the scale of the contracts, we may require customers to pay a certain percentage of deposit of the total amount within 30 days upon signing of the contract and the balance shall be payable within 60 days upon completion of the contract. For details of our credit policy, please refer to the paragraph headed "Sales and marketing – Credit policy and payment methods" in this section below.

### ***Recent change in policy on a third party social media platform***

In January 2018, it was announced by one of the third party social media platforms where we operate our "100 Most" and "TVMost" fan pages, that there will be changes made to its newsfeed settings which will in general prioritise posts of social nature over posts that are commercial in nature. According to the social media platform, the purpose of such change is to encourage meaningful interactions between users on such platform. Our Directors are of the view that (i) as at the Latest Practicable Date, such changes in newsfeed settings were undergoing a testing stage only and it is uncertain when such changes will be officially launched in Hong Kong, and thus, there is no imminent impact on our Group's business; and (ii) such changes will not automatically reduce the number of advertisements to be posted on the platform as our customers can subscribe for boosting services by paying additional fees if they wish to maintain or increase the exposure of their commercial posts and/or newsfeeds on the platform. Our Directors are also of the view that, the changes are not implemented solely against our fan pages on such third party social media platform. It is a universal policy applicable to all the fan pages which upload commercial posts. Given that all the market players who utilise such platform are affected by the changes, and any additional boosting fees shall entirely be borne by customers, the customers, when procuring advertising services, will

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continue to assess the industry players including our Group based on their reputation and competitive strengths. Our well-established brand names in the industry will continue to provide us an edge over our competitors. For details of our Group's competitive strengths, please refer to the paragraph headed "Competitive strengths" in this section of this prospectus.

Given our well-established brand names and our competitive strengths, our Directors are of the view that the changes in the newsfeed settings on the third party social media platform will not, both actually and potentially, bring any material impact to our Group's operation and financial position.

### *Representative projects undertaken*

Despite our relatively short operating history, we have been involved in the formulation and implementation of several high profile projects under which we provide one-stop advertising solution to our customers which involves slogan design, scripts writing, design and production of advertisements and placement of advertisement on the Digital Media Platforms. The examples of representative projects undertaken by us are set forth below:

<b>Customers</b>	<b>Project undertaken</b>	<b>Duration of the project(s)</b>
A multinational travel agency	Project A	From 1 January 2017 to 31 December 2017
A multinational food and beverage manufacturer	Project B	First project: from 1 April 2016 to 31 May 2016 Second project: from 1 April 2017 to 31 March 2018
A multinational banking and financial services corporation	Project C	First project: from 29 March 2017 to 4 April 2017 Second project: from 8 June 2017 to 7 June 2018 Third project: from 6 November 2017 to 5 November 2018

### **(B) Print media services**

#### *Advertorial production and advertisement placement services*

Our Directors are of the view that the main selection criteria for advertisers or advertising agencies for placing advertisements on magazines are readership and whether the groups of readers/audience are the target customers of the advertisers. On this basis, our Directors believe that our 100 Most Magazine is an attractive and competitive medium for advertising.

Advertorial represents a different promotion channel from traditional print advertisement which is in the form and style of an editorial or journalistic article but it serves to accomplish the goals of an advertisement by promoting certain products or services.

We are responsible for creating and producing the content of the advertorial that meet with our customers' advertising needs and providing artwork and layout designs for publication in our 100 Most Magazine. Our customers are generally requested to provide the relevant information of the products and/or services to be advertised, theme and key messages for advertorial write-up to us 14 business days before the scheduled publication date. We generally provide the draft advertorials for our customers' review and confirmation at least two business days before the publication date of our magazine. The scope of our service packages for advertorial production varies depending on our customers' requirements, which starts from a basic half-page write-up to be published on a layout of our 100 Most Magazine for the selected issue(s) to our cover story package including production of cover story in our 100 Most Magazine and cover exposure. Under our current pricing policy, the cost of our service package ranges from approximately HK\$15,000 to over HK\$200,000 per package. The actual pricing also depends on the pages on which the advertorial is published, such as cover or inside cover and artwork design and production for the advertorials.

Similar to our digital media services, our 100 Most Magazine also serves as a platform to publish third party designed print advertisements. Our charges vary depending on the layout coverage and pages on which the relevant advertisement to be published in our 100 Most Magazine which can cost from approximately HK\$7,500 to HK\$9,000 per advertisement.

During the Track Record Period, advertorial production and advertising placement services under our print media services segment accounted for approximately 46.4%, 24.9%, 3.9% and 1.3% of our revenue generated from the print media services, respectively.

### ***Publication of our magazines and book publications***

With a view to expanding the readership of our creative content, our Group was also engaged in publication services during the Track Record Period. As at the Latest Practicable Date, our publications included our 100 Most Magazine and book publications. During the Track Record Period, we also published Blackpaper Magazine, the publication of which ceased on 1 January 2017 as a result of our management's decision to reallocate resources among our different services. Our 100 Most Magazine targets younger generation groups in Hong Kong and covers a hundred short articles produced by us on general entertainment in each weekly issue, whereas the books we published are based on the anticipated market popularity and contemporary topics in Hong Kong. During the Track Record Period, our Group published 30, 33, 28 and 18 new titles of books, respectively, covering areas of interests in fiction, prose, entertainment and documentary.

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The following table sets forth the pricing of our publications during the Track Record Period:

	<b>Pricing</b> <i>(HK\$ per publication)</i>
Blackpaper Magazine (publication ceased on 1 January 2017)	1.0
100 Most Magazine	10.0
Book publications	60.0 to 300.0

### *Distribution of our magazines*

During the Track Record Period, our Group appointed the Magazine Distributor, an Independent Third Party with whom we commenced business relationship since 2013, as our sole distributor of our Blackpaper Magazine and 100 Most Magazine. Before cessation of our Blackpaper Magazine, such publication was distributed in convenience stores in Hong Kong, whereas our 100 Most Magazines are distributed for sales in convenience stores, bookstore chains and newsstands in Hong Kong and Macau. As at each of 31 March 2015, 2016 and 2017, 30 November 2017 and the Latest Practicable Date, our 100 Most Magazine was distributed to more than 1,800 retail points. After taking into consideration of the competitive edges of the Magazine Distributor including its comparatively large corporate size in terms of delivery teams and distribution network, distribution efficiency, the terms offered and cost effectiveness leveraging on their established distribution network, our Directors are of the view that the appointment of the Magazine Distributor is for the best interests of our Group. As at the Latest Practicable Date, our Group had no intention to appoint other distributors for the distribution of our 100 Most Magazine.

Based on the current distribution agreement entered into between our Group and the Magazine Distributor, the Magazine Distributor agreed to act as distributor of our 100 Most Magazine in the specified convenience stores, bookstore chains and newsstands in Hong Kong and Macau. Our Directors consider our relationship with the Magazine Distributor to be a seller/buyer relationship. Under the distribution agreement, a deductible security deposit of certain pre-agreed percentage is payable by the Magazine Distributor to our Group prior to each issue of our 100 Most Magazine. The Magazine Distributor will provide a consolidated monthly report indicating the sales of our magazines for our Group's review and record and the outstanding payment will be settled by our Magazine Distributor within seven days after confirmation of the actual sales of the magazines. The distribution agreement does not provide any sales target. It was entered into in 2013 and does not contain a fixed term. The agreement is subject to annual review by both parties. Under normal circumstances, either party may terminate the distribution agreement by serving 30-day prior written notice on another party.

Our Magazine Distributor collects the magazines from the printer prior to circulation. The Magazine Distributor may return any unsold 100 Most Magazines to our Group, and additional transportation fee on delivery and returning of unsold magazines is chargeable by the Magazine Distributor. Upon our consent, the Magazine Distributor will deliver the unsold magazines to independent paper-recycling manufacturers for disposal and the proceeds would be returned to our Group.

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Although our Directors are of the view that the Magazine Distributor is comparatively efficient and any termination of cooperation with the Magazine Distributor may adversely affect the distribution of our 100 Most Magazine and the print media business of our Group, our Group is able to appoint alternative distributors in the market for distribution of our 100 Most Magazine.

### *Distribution of book publications*

As at the Latest Practicable Date, our Group appointed the Book Distributor, an Independent Third Party with whom we commenced business relationship since 2013, as our sole distributor of the books published by our Group in Hong Kong and Macau during the Track Record Period. The Book Distributor is engaged by our Group after taking into account the terms offered and cost effectiveness leveraging on its distribution network throughout Hong Kong and Macau.

During the Track Record Period, we entered into distribution agreements with the Book Distributor for distribution of over 100 book publications. As at each of 31 March 2015, 2016 and 2017 and 30 November 2017 and the Latest Practicable Date, our book publications were distributed to more than 100 retail points, which include both stand-alone bookstores and bookstore chains. Save for the discounts granted to the Book Distributor, such distribution agreements generally contain the same material terms and conditions. In June 2016, to better govern our contractual relationship with the Book Distributor, we entered into a long term master distribution agreement with the Book Distributor. The salient terms of the agreement are set out below:

Contract term/ contract renewal	:	One year. The contract term can be automatically renewed for an additional term of one year
Services	:	The Book Distributor is responsible for distributing our book publications to bookstore chains in Hong Kong and Macau and certain online bookstores
Pricing	:	Our book publications are sold to the Book Distributor at pre-agreed discounts to the respective book retail price which is fixed by our Group
Exclusivity	:	The Book Distributor is the exclusive distributor of our book publications during the contractual term
Termination	:	Upon serving one month's written notice to the other party

Upon our consent, the unsold books will be delivered to independent paper-recycling manufacturers for disposal and the proceeds collected will be returned to our Group. The existing master distribution agreements had been automatically renewed and shall expire in May 2018. As at the Latest Practicable Date, our Group had commenced negotiation with the Book Distributor on renewal of the distribution agreement. Our Directors consider our relationship with the Book Distributor to be a seller/buyer relationship.

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During the Track Record Period, our sales of magazines and book publications to the Magazine Distributor and the Book Distributor in aggregate accounted for approximately 45.5%, 11.8%, 3.5% and 3.4% of our revenue respectively. When the magazines and book publications are delivered to the Magazine Distributor and the Book Distributor, our Group recognised revenue net of trade discounts and sales return. The average time lag between the date of revenue recognition and the date of the actual return of the expired magazines was around one month. On the date of delivery, our Group recognised revenue from sales of our publications, net of trade discounts and our best estimation of sales return. After the month end, when the actual sales return was confirmed with distributors, we adjusted the difference between the actual and estimated sales return to our revenue in the month when the sales were made and revenue was recognised. Such adjustment of actual sales return to recognised revenue is to reflect the actual net sales made to distributors in the relevant month. Therefore, revenue from sales of our publications reported in each of the Track Record Period was the actual sales amount net of any trade discounts to and actual sales return from distributors. All the actual sales return has been accounted for in the same financial year when our Group's revenue from sales of our publications was recognised. Our Directors confirmed that it is the industry practice to recognise revenue net of trade discounts and estimated sales return on the "date of delivery" and subsequently adjusted the relevant revenue with the actual sales return in the relevant period.

The rate of sales return (which was calculated by dividing the total carrying values of unsold publications by the total gross sales (i.e. total sales net of trade discounts but before sales returns) of publications in the relevant financial period) was approximately 20.2%, 35.3%, 58.6% and 48.5% of the gross sales of the magazines and book publications during the Track Record Period, respectively. Such rate of return reflects the actual return of the expired magazines and our management's best estimation on rate of return of the book publications primarily with reference to the unsold books stored in the Book Distributor's warehouse. Our Directors are of the view that, the increase in the rate of sales return during the Track Record Period was principally caused by the downturn performance of the print media industry as a whole in Hong Kong as a result of the digitalisation trend.

Once the distributors acknowledge receipts of magazines and book publications, they bear the risks of any damage or loss of the publications. Besides, the distributors have discretion on selection of and sales arrangement with their respective customers and full autonomy to negotiate the price with their customers upon delivery. Our Group no longer retains continuing managerial involvement or control over the magazines and book publications, except for the books that were expected to be returned by the Book Distributor and were still kept at the Book Distributor's warehouse while we can identify other distribution and sales channels to dispose these inventories. In addition, the distributors are responsible for the credit arrangement with their respective customers and are required to pay our Group regardless of whether they receive settlement from their customers. Accordingly, the risk and reward of ownership of our magazines and book publications are transferred to the distributors on the date of delivery.

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Our Group monitors the distribution of our magazines and books by visiting bookstores, convenience stores and newsstands to understand the current circulation and carry out stocktaking at the distributors' warehouse periodically. A report is issued regularly to our management for notifying the inventory level of our magazines and books.

Our Directors believe that (i) it is the common industry practice to regard distributors as the ultimate buyers of books and magazines and (ii) our Group's revenue recognition policy for our sales of publications to the distributors is in line with the practice of other listed publishers in Hong Kong. None of the distributors are owned by our former employees. None of our Directors or Shareholders has any equity interest in any of our distributors. None of our distributors or their beneficial owners has any past or present relationship outside the scope of distribution arrangements, including without limitation, employment or financing relationship with our Group or our Directors or Shareholders during the Track Record Period. In addition, to the best of our Directors' knowledge and after due inquiries, none of our distributors or their beneficial owners has any family relationship with our Directors and Shareholders or trust relationship with our Group or our Directors or Shareholders during the Track Record Period. Our Directors confirmed that it is an industry norm to engage distributors for distribution of magazines and books in Hong Kong. For details on our revenue recognition policy, please refer to the section headed "Financial information – Description of selected components of our results of operations income – Revenue – (ii) Print media services segment – (b) Sales of magazines and book publications" in this prospectus.

### **(C) Other media services**

During the Track Record Period, our Group also generated income from conducting other business activities which are complementary to our advertising and media business, which included organisation of events and management of our contracted artistes.

#### ***Events organisation***

During the Track Record Period, our Group organised two live shows, being the Awards Ceremony and the Anniversary Ceremony, which was held in the Queen Elizabeth Stadium in Hong Kong in January 2016 and in the Hong Kong Convention and Exhibition Centre in May 2016, respectively, featuring entertainment performances in Hong Kong.

We will hold the 2018 April Talk Show in the Queen Elizabeth Stadium in Hong Kong. The show, which is entertainment in nature, will feature one of our contracted artistes and will host more than 2,400 audience. As at the Latest Practicable Date, our Group had begun preparation for the show and was in negotiation with some potential customers for provision of advertising services or sponsorship opportunities relating to the show. We currently expect that the cost for organising the event will be approximately HK\$1.7 million (while we may incur higher costs for producing and delivering the advertising services or sponsorship packages in our show, subject to the result of our negotiation with the potential customers aforementioned) and all such cost will be incurred in the year ending 31 March 2019. In addition, our sales and marketing team had commenced promotion of the event through a

number of platforms, including our “100 Most” and “TVMost” fan pages on one of the third party social media platforms and our 100 Most Magazine. The sale of the tickets for the show had begun in mid-February 2018.

In 2016, we entered into a one-off broadcasting agreement with a third party TV service operator in Hong Kong, pursuant to which we granted the operator the sole and exclusive right and licence to broadcast our Anniversary Ceremony on live on a designated free third party TV channel in Hong Kong in May 2016 to maximise penetration and promote our brand awareness.

In each of the events held, our Group was responsible for planning the flow of the events, including the sequence of different performances and overall design of the programme. To ensure the quality of the events, we engaged independent service providers to assist us with sound and lighting adjustment, stage design and visual effect display. By hosting the events, we generated revenue from (i) advertising income from brand owners or advertising agencies of brand owners for providing sponsorship package, including brand name logo credit in event promotional materials and other advertising and media services requested by our customers; (ii) on stage performance in the events; (iii) sales of tickets of the events; (iv) advertising airtime and sponsorship for granting right and licence to a third party to broadcast our Anniversary Ceremony on live on a designated free third party TV channel; and (v) others including sales of our brand products and publications to the audience. The revenue generated from our events organisation amounted to approximately HK\$3.4 million and HK\$10.5 million for the years ended 31 March 2016 and 2017, respectively.

### *Artistes management*

Most of our contracted artistes under our management joined our Group as employees with no relevant experience in the entertainment industry prior to joining us. Through their appearances and performances in our TVMost online programmes, we have identified certain employees with acting talent to subsequently become our contracted artistes. We act as the manager of our artistes whose public images and performance opportunities within and outside our Group are all managed by us. We also provided continuous management services including image consultation, sourcing and negotiating potential performance opportunities and providing performance guidance to our contracted artistes during the Track Record Period. Apart from hosting or acting in our own online programmes available on TVMost website and mobile application, our contracted artistes also participate in the events we organised. At the requests of our customers, they may also appear in advertisements we produced for our customers, or are invited to participate in other activities organised by third party customers. Our project manager is responsible for the coordination work between our contracted artistes and our customers. When approached by customers, our project manager will be in charge of discussing the arrangements and terms of the potential performance opportunities on behalf of our contracted artistes, determining whether the relevant artistes have the capacity to take up the work and on some occasions, she may consult our executive Directors if there are concerns that the work may affect our Group’s image. We also allow our contracted artistes to choose whether to take up the relevant work but such decision is subject to the final approval by our executive Directors.

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As at the Latest Practicable Date, we had 19 contracted artistes under our management and all of them had entered into artistes management contracts with our Group. According to the terms of artistes management contracts we entered into with our artistes, our Group acts as the exclusive agent for them and we are entitled to obtain an agreed percentage of the fees earned from each performance by our artistes as income. The percentage of agency commission is reviewed on an annual basis. The contracts generally have a fixed term of three or five years, and more than half of them will expire in 2020 or 2021. Pursuant to the artistes management contracts, our Group has the discretion to renew the term of such contracts for a further three years on the same terms with our artistes and conditions by making such request at least three months prior to the contract expiry date.

During the Track Record Period, our Group generated revenue amounted to nil, approximately HK\$0.4 million, HK\$0.5 million and HK\$0.2 million for managing our contracted artistes who participated in marketing activities organised by third party customers, representing nil, approximately 0.6%, 0.5% and 0.4% of our revenue during the same periods, respectively.

### BUSINESS SUSTAINABILITY OF OUR GROUP

#### Our Directors' view on the business sustainability of our Group

- *There was no significant change to our Group's business model during the Track Record Period*

Our Group has been an advertising and media services provider since 2013 and the diversification to digital media services in the year ended 31 March 2016 (the “**Service Diversification**”) only expanded our service offerings which had not changed the overall business model of our Group. After the Service Diversification, our Group remained in the same industry and market (i.e. advertising and media industry in Hong Kong), served the same group of customers (i.e. brand owners and advertising agencies), maintained the same role in our provision of services, provided similar services to customers, targeted the same group of audience, maintained the same editing style in our products and/or services, had the same revenue model and supported by the same operation teams in providing both digital media and print media services. Our Directors are of the view that our Group's business sustainability relies on mainly, among others, our creativity, popularity and readership. As such, the mere diversification of media channels has not changed our Group's business model throughout the Track Record Period.

Advertising business remained as the major revenue source of our Group during the Track Record Period. Contributed by both digital media services and print media services segments, our Group recorded advertising-related revenue (which represents our revenue derived from the provision of one-stop advertising solution package and advertorial production and placement services under the digital media services and print media services segments respectively) of approximately HK\$11.1 million, HK\$42.1 million, HK\$78.2 million and HK\$51.2 million, which represented approximately 46.4%, 76.7%, 82.1% and 92.6% of our Group's revenue during the Track Record Period, respectively. During the Track Record Period, our Group also received advertising income for providing sponsorship packages under the segment of events organisation.

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Our Group is an integrated advertising and media services provider and all the three business segments are complementary to each other. Our customers in different business segments overlap and they usually engage us for the provision of more than one type of services. For the years ended 31 March 2016 and 2017 and the eight months ended 30 November 2017, four, five and two of our five largest customers procured both print media services and digital media services from us, respectively. During the same periods, we provided cross segment service offerings in 149, 228 and 54 contracts out of the 414, 560 and 342 digital media services contracts.

- ***Print and digital media services are complementary to our Group's advertising services and generate advertising income***

Our Directors are of the view that our digital media services are advertising in nature and should not be considered as a separate new business from our print media services during the Track Record Period, and it should be interpreted as an enrichment of our advertising services business. Our Group first commenced our advertising services business through the provision of advertorial production and advertisement placement (the "**Print Advertising Services**") in our magazines. For the year ended 31 March 2015, the advertising services business had already been one of our major revenue sources, where revenue derived from our Print Advertising Services attributable to approximately 46.4% of our revenue in the same period. We have been focusing on our advertising services business, and the advertising-related revenue generated under our print media services and digital media services segments represented approximately 46.4%, 76.7%, 82.1% and 92.6% of our revenue during the Track Record Period, respectively as aforementioned.

The Service Diversification by our Group is to offer a digital form of advertising services to our customers so as to enable us to capture the enlarging marketing exposure under the trend of digitalisation. The digital media services rendered by our Group during the Track Record Period shared the same features as our Print Advertising Services in the sense that (i) both of them are advertising in nature and generate the same source of revenue (i.e. advertising income) to our Group; (ii) the type of customers involved are generally the same, being mainly the advertising agencies and brand owners; and (iii) the fundamental nature of both print media services and digital media services of our Group (i.e. formulation of advertising plans and conceptualisation of advertising ideas) are generally similar.

- ***The Service Diversification strengthens our business sustainability***

Our Directors are of the view that the Service Diversification to digital media services strengthens our business sustainability. With integrated advertisement distribution capability, our customers can choose to distribute their advertisements on various media platforms owned or managed by our Group, including (a) print media platform (i.e. 100 Most Magazine); and (b) Digital Media Platforms (i.e. fan pages of "100 Most", "TVMost" and our contracted artistes on third party social media platforms, TVMost website and mobile application). Accompanied with our well-established brand and audience base, the integrated advertising and media services equipped with the advertisement distribution capability could maximise the advertising and promotional effect for our customers and increase our exposure to a wider spectrum of audience or viewers.

### **Sole Sponsor's view on the business sustainability of our Group**

The Sole Sponsor is of the view that our Group's ability to sustain the business is attributable to our competitive strengths which have been built up for years since our inception:

- ***Well-established brand recognition***

Our Group first launched Blackpaper Magazine and 100 Most Magazine in January 2010 and March 2013, respectively. Such publications were widely available for sale in convenience stores, bookstores chains and newsstands in Hong Kong and Macau. As at the Latest Practicable Date, 100 Most Magazine was distributed to more than 1,800 retail points. Our print publications enable us to explore to a mass of audience and get known to the public under the name of “黑紙” and “100毛” prior to the Service Diversification. The well-established brand recognition provides our Group with a competitive advantage to develop and continuously expand digital media services business and provide confidence to customers and advertisers for our market exposure, as compared with other market players which may not be known to the public.

- ***Well-established audience base***

Apart from the traditional print media channel, our Group commenced building up a broader base of audience primarily via “100 Most” fan page on a popular third party social media platform since March 2013, and further creating “TVMost” fan page on the same social media platform and operating “TVMost (毛記電視)” website since May 2015. Through such media platforms, audience/viewers enjoy the continuously updated creative content distributed by our Group, which serve as a means for our Group to accumulate a broader base of audience and further strengthen our brand recognition in the market. Throughout years of development, our Group recorded increasing popularity under these major digital channels: (i) approximately 0.8 million “likes” on the “100 Most” fan page as at 31 March 2016 and further increased to approximately 1.1 million “likes” as at 31 March 2017 and more than 1.1 million “likes” as at the Latest Practicable Date; (ii) approximately 0.4 million “likes” on the “TVMost” fan page as at 31 March 2016 and further increased to approximately 0.6 million “likes” as at 31 March 2017, and further increased to approximately 0.7 million “likes” as at the Latest Practicable Date; and (iii) over 135 million of accumulated page views on our “TVMost” website for the year ended 31 March 2016 and accumulated over 200 million page views up to the Latest Practicable Date. The above figures demonstrated our Group's ability to reach a board base of audience which is a prominent factor to attract customers and advertisers to seek advertising services from us.

- ***Well-established customer base from a variety of industry sectors and ability to secure projects from existing customers***

As aforementioned, our Group has been offering the Print Advertising Services before the formal launch of our digital media services and has established a customer base comprising mainly the advertising agencies and brand owners. The Service Diversification is a strategy of our Group in response to the digitalisation trend in the market where customers and advertisers have increasing advertising needs towards digital media. The advertising-related revenue we derived from repeated customers, who entered into more than one contract with our Group

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during the Track Record Period (the “**Repeated Advertising Customers**”), were approximately HK\$10.1 million, HK\$36.8 million, HK\$68.4 million and HK\$48.7 million for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 respectively. Such amount accounted for a significant portion of our Group’s advertising-related revenue at approximately 91.0%, 87.6%, 87.5% and 95.1% respectively during the same periods. In addition, the customers are from diversified industry sectors mainly including (i) arts, entertainment and recreation; (ii) banking, insurance and financial related services; (iii) beauty, healthcare and personal care; (iv) fashion, watches, jewellery and accessories; (v) food and beverages; (vi) government and non-governmental organisations; (vii) IT and electronic products; and (viii) telecommunications. For details of the number of customers from each industry sector, please refer to the section headed “Business – Customers” in this prospectus. The well-established customer base with a customer composition from diversified industries provides our Group with a competitive advantage to secure engagements.

The Sole Sponsor noted that the reasons of customers and advertisers choosing our Group as the advertising service provider are generally concluded to be our Group’s brand recognition, our audience base which fits the advertising/marketing strategies of the customers and advertisers, our advertisement distribution capability and our responsive operation teams. Having considered the scale and composition of our Group’s repeated customers aforementioned, it is considered that our Group is able to continuously secure engagements with them without a risk of reliance on a limited base of customers nor particular industry sector(s) where the customers are engaging in.

- ***Advertisement distribution capability and contracted artistes of our Group further create values***

Other than the advertising design and production capability, our Group also possesses advertisement distribution capability and contracted artistes which help create values to customers and advertisers for advertising/marketing activities. With the advertisement distribution capability, our Group enables the customers/advertisers to choose to distribute their advertisements on different media platforms owned or managed by our Group, including the print media platform of 100 Most Magazine and the Digital Media Platforms. Contracted artistes managed by us also create value in the sense that customers/advertisers could request the designated artiste(s) of our Group whose image fits with the advertisements produced by our Group to achieve particular advertising/promotional purpose. As at the Latest Practicable Date, our Group acted as the exclusive agent of 19 contracted artistes and any engagement of such artistes for performance opportunities has to be liaised through our Group.

- ***Positive future prospects of the digital advertising and media industry***

Digitalisation is a favourable market trend and opportunity in the advertising and media industry which enables our Group to further develop our business by acquiring additional market shares under prevailing market conditions. The expansion of our Group’s business from print media services to digital media services is considered as a service diversification by our Group during the Track Record Period in response to (i) the changing consumers’ preference, especially among the younger generation groups which have been the target readers of our Group’s print publications; and (ii) the shift in customers’ and/or advertisers’ needs to tap into digital channels for advertising, so as to sustain our business and to capture the latest market

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demand. According to the Ipsos Report, the revenue of online advertising industry in Hong Kong grew significantly with a CAGR of approximately 31.5% from approximately HK\$1.5 billion in 2011 to approximately HK\$5.9 billion in 2016, where more market players have started engaging in online advertising to cope with the shift in advertisers' and/or customers' preference along with the emergence of information and communication technology and social media platforms. It is also projected that the online advertising industry revenue in Hong Kong will further reach approximately HK\$8.9 billion in 2021. It is considered that the online advertising industry shows a lucrative potential to market players.

Given the competitive strengths of our Group mentioned above, the Sole Sponsor concurs that digitalisation presents a promising opportunity for our Group to further expand the digital media services which, in turn, facilitates the growth of our Group's business and sustains future business development. The vast momentum in the growth of the digital media services of our Group during the Track Record Period has demonstrated a successful business strategy adopted by our Group as evidenced by our significant growth in digital media services segment for the preceding financial year (i.e. recorded segment revenue of approximately HK\$28.4 million and HK\$74.5 million respectively for the years ended 31 March 2016 and 2017, recording a year-on-year growth of around 1.6 times). Our Group's digital media services also outperformed the industry average, where the revenue of the online advertising industry in Hong Kong grew by approximately 15.7% in 2016 as disclosed in the section headed "Industry overview" in this prospectus.

- ***Success in adapting to the rapid evolving advertising and media market***

Our Group's diversification to digital media services and success in digital media services as demonstrated in the above paragraphs shows that our Group is adaptable to the rapidly evolving and highly competitive advertising and media market.

The Sole Sponsor considers the foregoing attributes of our Group, including the well-established brand recognition, audience base, customer base from various industry sectors and ability to secure projects from existing customers, the values created by our advertisement distribution capability and contracted artistes, as well as the positive future industry prospects and our Group's success in adapting to the market, enable our Group to further develop and sustain the business.

Given the bases set out above, our Directors are of the view, and the Sole Sponsor concurs, that our Group's business is sustainable.

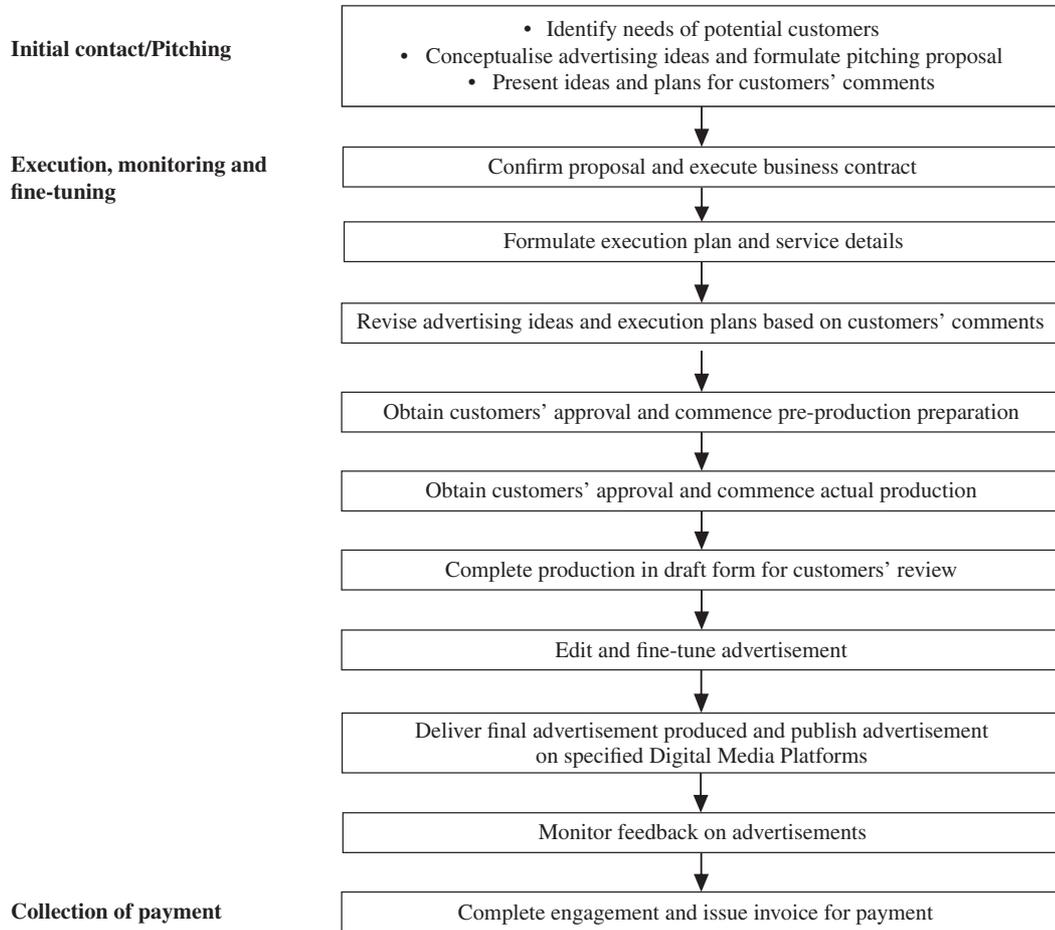
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### OUR OPERATIONAL WORKFLOW FOR INTEGRATED ADVERTISING AND MEDIA SERVICES

Our general operational workflow is summarised below:



#### Initial contact/pitching

Our initial contact with potential customers is generally carried out by our sales and marketing team led by our senior sales manager. The team acts as the communication channel with our potential customers to understand their needs. Our sales approach focuses on conceptualising advertising ideas suiting our customers' needs and formulating customised service package to our customers based on their advertising budgets. Upon request by our potential customers, we may further revise our pitching proposal, taking into account the characteristics and needs of the potential customers, the products or services to be advertised and their target audience.

If our potential customer approves our pitching proposal and agrees to enter into a contract with us, the responsible executive Director and our members of the senior management team will assess the resources required and form a working group comprising members of our sales and marketing, design and production and editorial and publication teams in accordance with the service details and expected timeline. The contract between our customers and us will set out the details of the advertising and media services to be provided by us.

### **Execution, monitoring and fine-tuning of our advertising and media services**

Once our customers have confirmed our engagement, our responsible working group will formulate details of the execution plan of the required advertising and media services. Our sales and marketing team will continue to actively communicate with our customers to understand their requirements and the products and/or services to be advertised.

Each of our responsible working groups are led by our members of the senior management team and other key employees, including creative manager, digital manager and assistant digital manager, who are responsible for formulating creative ideas. In large-scale and/or key projects, our executive Directors may participate in the process of advertising ideas conceptualisation with our working groups. The working groups will work together to execute the creative ideas into our products and/or services. We believe the effectiveness of our advertising and media services is integral to our provision of quality services and hence, our responsible working group will communicate with and report to our customers throughout and upon completion of our engagement to ensure that the draft advertisements and scripts of narratives are reviewed and fine-tuned at the request of our customers during the review process and the advertisements produced by our Group can satisfy the requests our customers. Upon confirmation from our customers, our responsible working group will conduct pre-production meetings discussing the execution of the creative ideas and details of production. In large-scale and/or key projects, our executive Directors may also supervise the pre-production preparation and conduct on-site production supervision.

We generally design the advertisements by ourselves in accordance with our customers' needs and specifications and engage third party production houses and third party photographers to assist in production of the advertisements including photo and video shooting and subsequent video editing and cutting. Our design and production team are also responsible for preparing the production props, designing artworks and layout of the advertisements. The finalised advertisements produced will be approved by our executive Director in charge of the project before they are delivered to our customers for review and the products will be fine-tuned based on our customers' requirements before the placement.

Upon customers' confirmation, we will arrange for placement of the advertisement, whether produced by our Group or third party customers, on the Digital Media Platforms. Should our customers require placement on third parties' TV channels, Internet or physical advertising spaces, they will make their own arrangements with the relevant third parties.

We normally provide online monitoring services for a certain period of time after placement of the advertisement to monitor the audience's response after publication of the advertisements, such as commentaries posted by Internet users on the Digital Media Platforms. Certain third party social media platforms also provide data analytics indicating viewers' response to the advertisements posted thereon, for instance, duration of video being viewed by audience. Based on such data analytics, we are able to provide our customers with updates on information relevant to their brands, products or services and to evaluate the overall effectiveness of the advertisements.

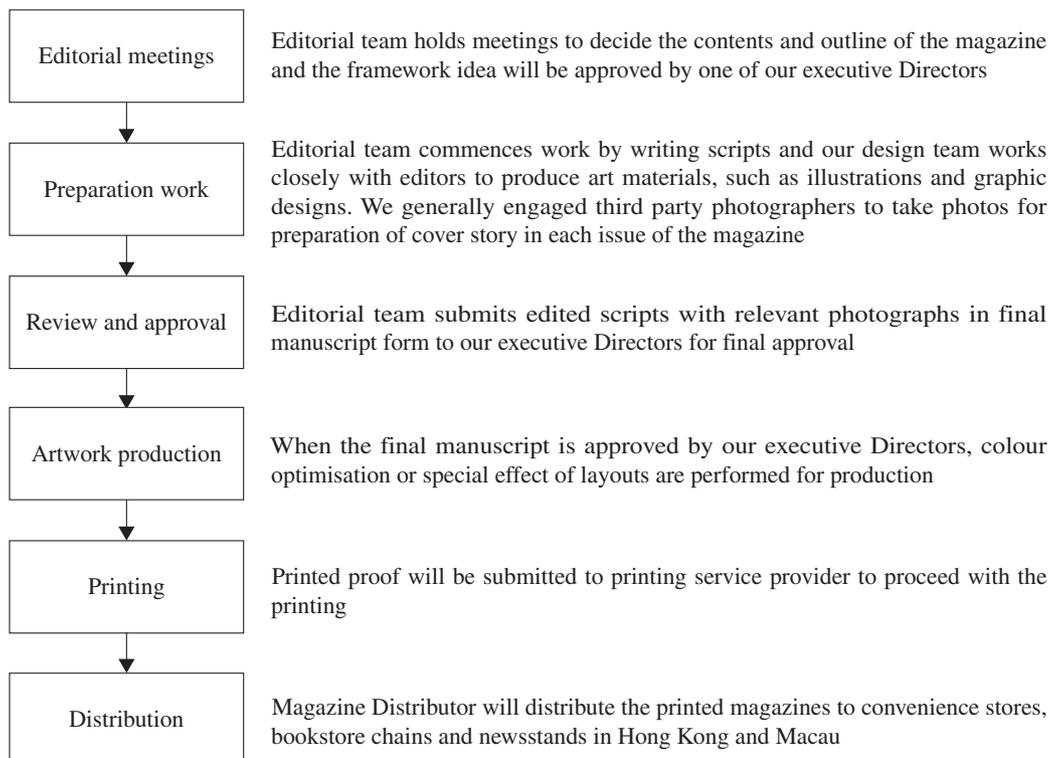
### **Completion of engagement and collection of payment**

After our customers have confirmed the completion of our engagement, we will issue an invoice to them for payment collection. Depending on, among other factors, the profile of our customers and the scale of the contracts, we generally require a certain percentage of deposit of the total amount to be paid within 30 days upon signing of the contract and the balance shall be settled within 60 days upon completion of the engagement. Depending on the credibility of our customers, we may offer them credit terms ranging from 0 to 90 days. For details of our credit policy, please refer to the paragraph headed “Sales and marketing – Credit policy and payment methods” in this section below.

### **OUR OPERATIONAL WORKFLOW FOR PUBLICATION SERVICES**

Our 100 Most Magazine is published by our editorial team on a weekly basis and the team is responsible for the selection of cover stories, scripts writing and editing. Our design team provides artwork and layout designs for the magazine and we generally engaged third party photographers to take photos for preparation of the cover story in each issue. For publication of books, our publication team is responsible for communicating with authors and the Book Distributor and our art design team assists in designing the cover and overall layout of the books. Both teams are under the supervision of our executive Directors.

The following chart illustrates the production process and publication of 100 Most Magazine:



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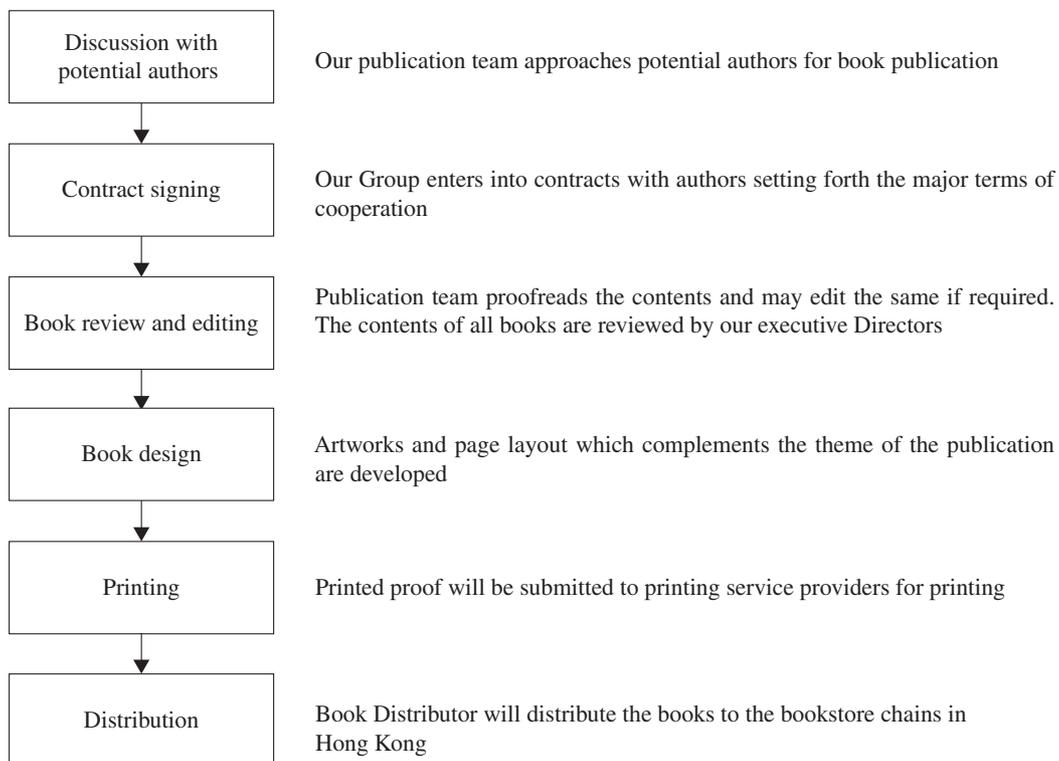
## BUSINESS

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Our editorial team members hold weekly meetings to discuss and decide the content and style of the forthcoming issue of our 100 Most Magazine. The team, led by our senior editor, commences scripts writing and our design team, led by our art director and associate art director, provides artwork and layout design. We generally engaged third party photographers to take photos for preparation of cover story in each issue of the magazine. Before publication, the final manuscript of the magazine prepared collectively by our editorial team and our design team will be approved by our executive Directors.

After the editorial content and artwork layout are approved by our executive Directors, our designers will perform customised works on colour optimisation or special effects of the artwork layout for desired results. Once the retouching and composing works are completed, the printed proof will be circulated to the printing service providers engaged by our Group to proceed with printing. As our 100 Most Magazine is issued weekly, the abovementioned work process lasts for five days. After printing, the Magazine Distributor will distribute the 100 Most Magazine to convenience stores, bookstore chains and newsstands in Hong Kong and Macau on every Thursday.

The following chart illustrates the production process for the book publications:



Our executive Directors have the ultimate decision on the books to be published. Our publication team, led by our publishing manager, will approach the identified persons to explore opportunities of book publication, and if the persons approached by us indicate their interests in collaborating with our Group, our publication team will notify our executive Directors for discussion of the terms of collaboration. As we developed our publication business during the Track Record Period and our publication team has become more

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experienced, our publishing manager plays an active role in selecting suitable authors to be approached and liaising with authors on books to be published which were originally handled by our executive Directors. During the Track Record Period, we have also been approached by third party authors for book publications. During the Track Record Period, our Group has published 30, 33, 28 and 18 titles of books, respectively. While the contract terms may vary, the terms we offered to the authors generally include: (i) the title, language, number and nature of books the author agrees to write within a specified period; (ii) the date on or before which the complete manuscripts shall be submitted; (iii) the author assigns all copyright in the books to our Group as the publisher and our Group shall pay royalties of certain percentage of the book retail price to the authors; and (iv) the contracts are generally effective for an initial term of ten years from the date that the books are first published and our Group has the sole discretion to extend the contract term for a specified period on terms and conditions determined by us.

Our publication team will discuss with our design and production team on the design of the book covers and layout of the book content to match with the theme of our book publications. Our publication team will then proofread the book content and our executive Directors will approve the book cover designed by us prior to printing. After printing, the Book Distributor will distribute the books to the bookstore chains in Hong Kong and Macau and certain online bookstores.

### **ROLE AND INVOLVEMENT OF OUR EXECUTIVE DIRECTORS**

When Blackpaper commenced business in around 2010, similar to most start-up companies, the business operations of our Group were primarily run by our executive Directors who are also our founders and Controlling Shareholders. They were actively involved in the provision of print media services, including providing creative inputs, engaging in writing articles and other creative productions and liaising works for the publication of the Blackpaper Magazine. As we expanded our business segments and diversified into digital media services, events organisation and artistes management business, and commenced distribution of our creative content through various platforms, our Group has been expanding our operation teams to support the daily business and segments operations. The number of employees of our Group has increased significantly from 29 as at 31 March 2015 to 52, 68 and 82 as at 31 March 2016, 31 March 2017 and 30 November 2017, respectively. As at the Latest Practicable Date, we had 90 employees, among which, more than 20 staff members were engaged in works that involve creativity, including generating creative ideas and visualising such ideas through our content production in print and digital formats. With the support of our operation teams led by our senior management team and key personnel, our executive Directors have started and continued delegating the executory duties to the operation teams and they have become less involved in the creation and production process, in particular in the print media services and artistes management business. Our executive Directors' roles have thus become generally supervisory in nature which focused more on formulating business strategies and development plans of our Group, approving the creative works collectively produced by our operation teams and making key business decisions. Our executive Directors consider that the success of our Group was attributable to the collective efforts of our executive Directors and each operation

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team. Details of our executive Directors' involvement in each of our business segments are set out in the following paragraphs and details of our operation teams and key personnel are set forth in the sections headed "Business – Our operation teams and key personnel" and "Directors and senior management" in this prospectus.

**Digital media services** : Participate in generating creative ideas for large-scale and/or key projects. Our executive Directors generally did not directly participate in the creation, production and/or editing of most of the digital creative content and the creation, preparation and/or distribution of advertorial content and newsfeeds during the Track Record Period

**Print media services** : Mainly responsible for reviewing and approving some of the magazine covers and the cover stories of our 100 Most Magazine, and supervising the publication team on the engagement of potential authors for book publication. Our executive Directors were not generally involved in the preparation and editing of content and production of artworks in our 100 Most Magazine and book publications during the Track Record Period

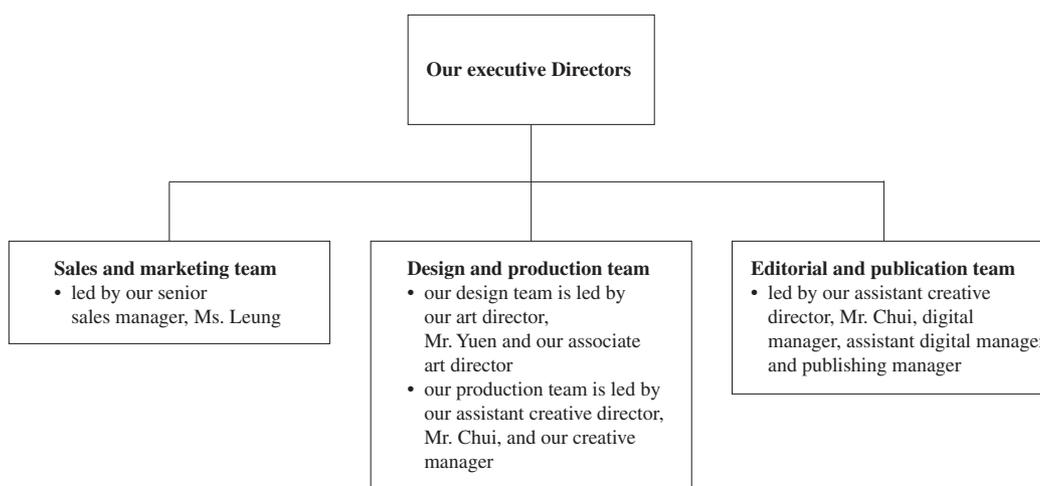
### **Other media services**

– *Events organisation* : Our executive Directors are more involved in the overall planning of events compared to other service offerings since they considered that the events would attract, and in fact had attracted, a lot of public attention and media coverage. Our operation teams are involved in the preparation of show content, promotion of the events and general execution works, for instance, preparing scripts of the programme and reserving venue for the events

– *Artistes management* : Our executive Directors generally do not directly participate in artistes management and they principally supervise our project manager who is responsible for operating such business

## **OUR OPERATION TEAMS AND KEY PERSONNEL**

As at the Latest Practicable Date, our daily execution work was operated by our sales and marketing team, design and production team and editorial and publication team. The operation teams are respectively led by our members of senior management team comprising Ms. Leung Hoi Yui (“**Ms. Leung**”), Mr. Yuen Kam Shing (“**Mr. Yuen**”) and Mr. Chui Cheung Lam (“**Mr. Chui**”), and other key employees, including our creative manager, digital manager, assistant digital manager and publishing manager under the overall supervision of our executive Directors. Our operation teams have different responsibilities and they work collectively amongst each other to provide the services tailored to the needs of our customers. A chart showing our Group’s management structure is set out below:



Please refer to the paragraph headed “Employees” in this section below for the number of our full-time employees by functions. Below sets out the functions of each of our operation teams:

### **Sales and marketing team**

Our sales and marketing team is led by our senior sales manager, Ms. Leung, who is a member of our senior management team. The team is mainly responsible for sales and pitching activities, customers liaison and management for the promotion of our business. The team members also closely communicate with our customers to ensure the products and/or services provided by our design and production and editorial and publication teams are customised to satisfy their needs and requirements. For details of our sales and marketing team, please refer to the paragraph headed “Sales and marketing – Sales and marketing team” in this section below.

### **Design and production team**

Our design team is jointly led by our art director, Mr. Yuen, who is a member of our senior management team, and our associate art director. The team is mainly responsible for creating and producing the artworks in our creative productions across different business segments, including but not limited to, layout and artworks in advertisements, our TVMost online programmes distributed on our TVMost website and mobile application as well as layout and cover design of our 100 Most Magazine and other print publications.

Our production team is jointly led by our assistant creative director, Mr. Chui, who is a member of our senior management team, and our creative manager. The team is mainly responsible for creating and producing advertisements and/or advertorials to be distributed on the Digital Media Platforms. Our production team members meet regularly to conceptualise ideas for our creative content distributed on different channels and in large-scale and/or key projects, our executive Directors may also participate in these meetings to share their creative ideas. The team works closely and discusses with the design team on the application of appropriate artworks to visualise the creative concepts in our products and/or services.

### **Editorial and publication team**

Our editorial and publication team is jointly led by our assistant creative director, Mr. Chui, who is a member of our senior management team, digital manager, assistant digital manager and publishing manager. The team is mainly responsible for continuously updating creative content on the Digital Media Platforms (excluding our contracted artistes' fan pages on third party social media platforms) and monitoring responses thereon, creating content for our TVMost online programmes and our 100 Most Magazine and assisting in publishing work for our print media and digital media services. Our team members constantly communicate among themselves to conceptualise ideas for our creative content and in large-scale projects and/or key projects, our executive Directors may also participate in these meetings to share their creative ideas. At the beginning of the Track Record Period, our Group was primarily engaged in print media services segment. As we diversified and expanded into digital media services during the Track Record Period, our editorial staff for print media services were also required to assist in creating editorial content on the Digital Media Platforms to cope with the increasing demand for our digital media services.

Our Directors consider that it is highly unlikely that our Group would become unable to procure the continued cooperation and support from all our executive Directors, who are also the founders of our Group and our Controlling Shareholders, at the same time and/or within a short period of time. Nonetheless, if such unlikely event occurs, our Directors are of the view that it would not bring significant long-term operational and financial impact on our Group. As further illustrated under the paragraph headed "Role and involvement of our executive Directors" in this section above, our Group has grown in size significantly since its inception with well-established operation teams and the experienced teams already have a track record of supporting the growing business operations of our Group without direct involvement of the executive Directors. Each of the operation teams, including sales and marketing team, design

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and production team, and editorial and publication team, are led by the members of our senior management team and/or key personnel and none of these functions heavily relies on any or all of our executive Directors. If any of our executive Directors becomes unable to provide the continued cooperation and support including his creative inputs to our Group, other remaining executive Directors, senior management and key personnel would still be able to work closely with the experienced team to facilitate a seamless transition.

As our Group possesses strong brand recognition in the industry and endeavours to deliver creative content featuring our own distinctive style, our Directors are of the view that using creative inputs from other providers might not best suit our business development and objectives. Nonetheless, should it become necessary or advantageous for our Group to use creative inputs from other providers, our Directors will consider any such proposal and work out the detailed arrangements of such service outsourcing to fit into the then business operation of our Group.

Based on the factors below, our Directors consider that our Group's reliance on our executive Directors is not extreme, and hence would not render our Company not suitable for Listing:

- **our operation teams have a track record of producing creative content independently and we do not heavily rely on our executive Directors to provide creative inputs:** our Group produces a large amount of creative content on a daily basis and in different forms, including slogans, videos, advertorials, newsfeeds and online programmes. Our Group has well-established operation teams and each team is led by our senior management who possesses many years of experience in the relevant industry, and some of whom even possess certain experience or knowledge which none of our executive Directors possesses such as artwork design. Our senior management and staff members of our Group have a track record of producing a large amount of creative content independently without direct supervision from our executive Directors. Our Group has also developed a work culture in which the staff members will proactively initiate creative ideas. Our Directors are of the view that our competitive strengths are attributable to the collective creativity of our staff members and their deep understanding of the followers' interests. Moreover, as our Group and our business operation have grown in size over the past few years, it has become impossible for our executive Directors, and they are no longer required, to be involved in the creation and execution processes of all or most of our Group's projects. Our executive Directors may participate in the process of advertising ideas conceptualisation with the working team in large-scale and/or key projects undertaken by our Group. As such, our Group does not heavily rely on our executive Directors to provide creative inputs in its business operation;
- **we and our sales and marketing team have well-established relationships with our customers and we do not heavily rely on our executive Directors in terms of customers' relationships:** we have well-established relationships with our customers from diverse industries and have maintained business relationships with

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most of our major customers for approximately five years. Customers' relationships are managed by our sales and marketing team which had 17 members as at the Latest Practicable Date and is led by our senior sales manager who has over ten years of experience in the sales and event planning industry. This team is mainly responsible for sales and pitching activities, customers liaison and management for the promotion of our Group's business. Our Directors believe that the well-established relationships with our customers are attributable to our integrated advertising and media business which allows our customers to select the specific advertising and media services to serve their marketing objectives and within their advertising budgets. As such, our Directors are of the view that we do not place strong reliance on our executive Directors in terms of customers' relationships; and

- **we possess well-established brand names and do not heavily rely on the popularity of our executive Directors:** our fan pages of "100 Most" and "TVMost" on popular third party social media platforms have amassed a large base of visitors and followers who enjoy our creative content on various media channels. Our Directors are of the view that the ability of those media channels to capture our social media followers' and visitors' interests is attributable to the creative content published which are widely receptive and the popularity of our artistes who appear in those advertisements and newsfeeds. As compared to our contracted artistes, each of our executive Directors generally appear less in our advertisements and newsfeeds. As such, our Directors are of the view that we do not place strong reliance on the popularity of our executive Directors in our business operation.

### MAJOR QUALIFICATIONS AND LICENCES

Our Directors confirmed that our Group is not required to obtain any industry-specific qualification, licence or permit from the relevant government authorities in Hong Kong for carrying out our advertising and publication business in Hong Kong. We are subject to various laws and regulations with regard to our business operations, and are required to obtain certain licences, approvals and permits to operate our business. For details, please refer to the section headed "Regulatory overview" in this prospectus. We are required to register our magazines and books with the relevant authorities. The table below sets forth the key licences, approvals and registration necessary for our operations:

Type of permit/use	Holding entity	Issuing Authority
Registration of each issue of 100 Most Magazine as local newspaper	Blackpaper	Office for Film, Newspaper and Article Administration

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Type of permit/use	Holding entity	Issuing Authority
Registration of each issue of 100 Most Magazine as a new book	Blackpaper	Book Registration Office of the Hong Kong Public Libraries, Leisure and Cultural Services Department
Registration of each book publication as a new book	Blackpaper	Book Registration Office of the Hong Kong Public Libraries, Leisure and Cultural Services Department

As at the Latest Practicable Date, we had obtained all licences and certificates as required by the relevant government authorities in Hong Kong for our business operations and all such licences and certificates were in full force and effect. We did not experience any material difficulties in renewing these licences and certificates during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulties in renewing such licences and certificates when they expire.

### SALES AND MARKETING

#### Sales and marketing team

We had a sales and marketing team of 17 members as at the Latest Practicable Date, who are mainly responsible for sales and pitching activities, customers liaison and management for the promotion of our business. As the team works closely with our customers, if there is any complaint or specific demand from our customers, our sales and marketing team will communicate with the relevant customers to understand and remedy the issue. In addition to basic salaries, we motivate our sales personnel with incentive commission. A sales target which is reviewed regularly is set from the management team to each of the members of the sales and marketing team. Our sales personnel could receive a sales commission with a higher percentage of net revenue billed if he/she achieved sales above the sales target. For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, commissions paid to our sales and marketing team represented nil, approximately 51.9%, 53.5% and 45.1% of our selling and distribution expenses, respectively.

During the Track Record Period, at the request of an independent customer which was also one of our major customers, we entered into an incentive arrangement with such customer. The incentive arrangement was initiated by the customer who considered such arrangement a common industry practice in the advertising and media market. Pursuant to the incentive agreements entered into between the customer and us, the customer was entitled to a pre-agreed percentage of advertising income as incentive. Such incentive represents the amount that allows the customer to net off against the gross amount of its payments to us, which are based on progressive incentive percentage on each level of range of advertising income generated from the customer, and is incurred by us when the customer agreed on the relevant incentive

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amount. The term of the contracts is generally of one year. During the years ended 31 March 2015 and 2016 and the eight months ended 30 November 2017, we did not incur any incentive fee. We incurred incentive fee in the year ended 31 March 2017, which was settled by the customer by way of credit note and was subsequently netted off against our gross revenue in the same period. Accordingly as a percentage of our revenue, such incentive fee accounted for approximately 0.5% in the year ended 31 March 2017. Our Directors are of the view that it is a common industry practice to enter into an incentive arrangement with customers.

We keep our existing and potential customers informed of our recent developments by updating our TVMost website, mobile application, 100 Most Magazine and distributing materials in relation to our background and project portfolio.

Our Directors confirmed that, during the Track Record Period, our Group did not experience any material complaint from our customers which had materially and adversely affected our business nor did our Group make any material compensation to our customers as a result of any complaint from our customers.

### **Pricing policy**

Our service fees are generally charged at a fixed amount determined on a case-by-case basis and are set forth in the contracts between us and our customers. In formulating our service fees for an engagement, we take into consideration factors including (i) the advertising budgets of our customers; (ii) the costs for carrying out the project with reference to the estimated time to be spent and the scale of the project, such as the number of employees to be involved in the project and customers' requirements; (iii) the prevailing market prices for similar services offered in the market; (iv) the size, reputation and industry of the customers and/or advertisers involved; and (v) the potential future business opportunities with the customers and/or advertisers.

Specific factors may also be taken into account in setting our service fees for each category of our integrated advertising and media services. For instance, fees for providing our one-stop advertising solution package are determined on a case-by-case basis with emphasis on the type of advertisement, customers' specifications and the estimated service hours required to be spent on the project.

### **Credit policy and payment methods**

Our Group adopts prudent credit control procedures and we regularly monitor subsequent settlement of our receivables.

For new advertising customers, we generally require them to pay a 50% deposit upon signing of the contract. For engagement with contract sum exceeding a certain amount, we also generally require our customers to pay a 50% deposit upon signing of the contract.

We generally issue bills to our customers according to the payment schedules stipulated in our contracts. A credit period ranging from 0 to 90 days was generally granted to our

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customers during the Track Record Period. We closely monitor the settlement status of our trade receivables and regularly review the credit terms. In particular, our sales and marketing team keeps track of the project status and accelerates project execution when necessary so as to encourage the customers' timely settlement of our fees.

During the Track Record Period, we had recorded long overdue trade receivables from our customers, for which our Directors consider that there is no recoverability issue after assessing the individual condition of these customers. For further details of the analysis, please refer to the section headed "Financial information – Description of certain items of consolidated balance sheets – Trade receivables" in this prospectus. For details of our credit risk associated with customers, please refer to the section headed "Risk factors – We are exposed to credit risk under our business operations, and any material payment delays or defaults by our customers may negatively affect our business, financial position and results of operations" in this prospectus.

Our revenue are all denominated in Hong Kong dollars and are generally settled by our customers by way of cheque and bank transfer.

### CUSTOMERS

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

Rank	Name of customer	Principal business and business profile	Services provided by our Group	Year of commencement of business relationship with our Group	Revenue HK\$'000 (approximately)	Percentage of our Group's revenue % (approximately)
<i>For the year ended 31 March 2015</i>						
1	Magazine Distributor	A distributor which is principally engaged in the distribution of various publications in Hong Kong	Sales of our publications	2013	6,401	26.7
2	Book Distributor	A distributor which is principally engaged in the distribution of various publications in Hong Kong. Its holding company is a listed company on the Main Board of the Stock Exchange	Sales of our publications	2013	4,502	18.8
3	Customer A	A group of advertising agencies principally providing, among others, media agency services to brand owners and with business operation in Hong Kong. Its ultimate holding company is a listed company on the London Stock Exchange and NASDAQ Exchange in New York	Provision of digital media services, print media services (advertising related services) and other media services (artistes management)	2013	2,509	10.5

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Rank	Name of customer	Principal business and business profile	Services provided by our Group	Year of commencement of business relationship with our Group	Revenue HK\$'000 (approximately)	Percentage of our Group's revenue % (approximately)
4	Customer B	A group of advertising agencies with headquarters in New York. Its common stock is listed and traded on the New York Stock Exchange. It has business operation all around the world and provides, among others, media agency services to brand owners with more than 78,000 employees and recorded a revenue of approximately US\$15.6 billion for the year ended 31 December 2016	Provision of digital media services, print media services (advertising related services) and other media services (artistes management)	2013	1,387	5.8
5	Customer C	A group of advertising agencies with headquarter in Japan and its shares listed on the Tokyo Stock Exchange. It has business operation all around the world and provides, among others, advertising agency services with more than 47,000 employees and recorded a revenue of approximately 706.6 billion Japanese Yen for the year ended 31 December 2016	Provision of digital media services, print media services (advertising related services) and other media services (artistes management)	2013	961	4.0
					<u>15,760</u>	<u>65.8</u>

*For the year ended 31 March 2016*

1	Customer A	Please refer to the descriptions above	Provision of digital media services, print media services (advertising related services) and other media services (artistes management)	2013	6,618	12.1
2	Customer D	A group of advertising agencies with headquarter in Amsterdam and business operation all around the world except for France and the United States. It provides, among others, media agency services to brand owners. Its holding company is a listed company on the NYSE Euronext Paris market with revenue of approximately 9.7 billion Euros for the year ended 31 December 2016	Provision of digital media services, print media services (advertising related services) and other media services	2013	6,258	11.4
3	Customer B	Please refer to the descriptions above	Provision of digital media services, print media services (advertising related services) and other media services (artistes management)	2013	4,792	8.7

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Rank	Name of customer	Principal business and business profile	Services provided by our Group	Year of commencement of business relationship with our Group	Revenue HK\$'000 (approximately)	Percentage of our Group's revenue % (approximately)
4	Customer C	Please refer to the descriptions above	Provision of digital media services, print media services (advertising related services) and other media services (artistes management)	2013	3,789	6.9
5	Book Distributor	Please refer to the descriptions above	Sales of our publications	2013	3,332	6.1
					<b>24,789</b>	<b>45.2</b>
<i>For the year ended 31 March 2017</i>						
1	Customer D	Please refer to the descriptions above	Provision of digital media services, print media services (advertising related services) and other media services	2013	18,636	19.6
2	Customer A	Please refer to the descriptions above	Provision of digital media services, print media services (advertising related services) and other media services (artistes management)	2013	6,039	6.3
3	Customer B	Please refer to the descriptions above	Provision of digital media services, print media services (advertising related services) and other media services (artistes management)	2013	5,611	5.9
4	Customer E	Banking and finance institution	Provision of digital media services, print media services (advertising related services) and other media services (artistes management)	2014	3,730	3.9
5	Customer F	Telecommunications company with business operation in Hong Kong and Macau with more than 2,300 employees and recorded revenue of approximately HK\$12.0 billion for the year ended 31 December 2016. Its ultimate holding company is a listed company on the Main Board of the Stock Exchange	Provision of digital media services, print media services (advertising related services) and other media services (artistes management)	2016	2,097	2.2
					<b>36,113</b>	<b>37.9</b>

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Rank	Name of customer	Principal business and business profile	Services provided by our Group	Year of commencement of business relationship with our Group	Revenue HK\$ '000 (approximately)	Percentage of our Group's revenue % (approximately)
<i>For the eight months ended 30 November 2017</i>						
1	Customer E	Please refer to the description above	Provision of digital media services, print media services (advertising related services) and other media services (artistes management)	2014	8,122	14.7
2	Customer D	Please refer to the description above	Provision of digital media services, and other media services	2013	5,665	10.2
3	Customer B	Please refer to the description above	Provision of digital media services, and other media services (artistes management)	2013	4,257	7.7
4	Customer A	Please refer to the description above	Provision of digital media services, print media services (advertising related services) and other media services (artistes management)	2013	2,480	4.5
5	Customer G	The Hong Kong branch of one of the largest food companies headquartered in the United States. It exports food products to over 200 countries.	Provision of digital media services, and other media services (artistes management)	2017	2,176	3.9
					<u>22,700</u>	<u>41.0</u>

During the Track Record Period, we were not dependent on any single customer. For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, revenue derived from our five largest customers accounted for approximately 65.8%, 45.2%, 37.9% and 41.0% of our revenue, respectively. None of our Directors, their close associates or any Shareholder (who or which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company) had any interest in any of our five largest customers during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties, nor had we experienced any material disputes with our customers causing material disruption to our business.

During the Track Record Period, our customers mainly comprised local and multinational brand owners in a variety of industries, advertising agencies of brand owners, the Magazine Distributor and the Book Distributor. Due to the customary nature in the advertising and media industry, some well-established brand owners have their exclusive or designated advertising agencies to engage us for integrated advertising and media services.

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A breakdown of the number of our customers to whom we have provided digital media services and/or advertorial production and advertisement placement services by industry sector during the Track Record Period is set forth in the table below:

	For the year ended			For the eight	
	31 March			months ended	
	2015	2016	2017	2016	2017
<i>Advertising agencies<sup>(1)</sup></i>	<u>26</u>	<u>46</u>	<u>59</u>	<u>51</u>	<u>33</u>
<i>Brand owners and other</i>					
<i>customers by industry sector</i>					
– Arts, entertainment and recreation	23	48	53	31	12
– Banking, insurance and financial related services	4	5	7	6	10
– Beauty, healthcare and personal care	18	39	43	27	20
– Fashion, watches, jewellery and accessories	14	13	11	8	8
– Food and beverages	10	35	22	13	12
– Government and non-governmental organisations	11	20	20	17	8
– IT and electronic products	13	17	11	10	1
– Telecommunications	4	3	8	4	1
– Others <sup>(2)</sup>	<u>30</u>	<u>53</u>	<u>44</u>	<u>40</u>	<u>23</u>
	<u>127</u>	<u>233</u>	<u>219</u>	<u>156</u>	<u>95</u>
<b>Total</b>	<b><u>153</u></b>	<b><u>279</u></b>	<b><u>278</u></b>	<b><u>207</u></b>	<b><u>128</u></b>

*Notes:*

1. Advertising agencies engaged us and procured our products and/or services for their customers from various industries mainly including (i) arts, entertainment and recreation; (ii) banking, insurance and financial related services; (iii) beauty, healthcare and personal care; (iv) fashion, watches, jewellery and accessories; (v) food and beverages; (vi) government and non-governmental organisations; (vii) IT and electronic products; and (viii) telecommunications.
2. Others represent industry sectors mainly including: (i) motor vehicles, automotive parts, accessories and fuel; (ii) education and recruitment; (iii) home furnishings and household items; (iv) shopping mall and department store; (v) travel and tourism; (vi) theme park; (vii) airlines services; and (viii) logistics services.

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The principal terms for the provision of our integrated advertising and media services include, among other things, scope of services, such as form and number of advertisement to be designed and produced, distribution channels of the advertisement, payment and termination clauses. The salient terms of our standard terms and conditions are as follows:

Contractual term	:	One-off engagement or a fixed term
Services provided	:	Production of advertising content to be put on our print and/or digital media platform(s) and/or provision of artistes under our Group for advertising services
Terms of payment	:	Within 0 to 90 days after the invoice date
Price	:	Depends on the services subscribed for. Details of which please refer to section headed “Business – Sales and marketing – Pricing policy” in this prospectus

Our contractual periods may range from around two weeks to one year, depending on the type of advertising services, the complexity of the advertisements to be produced and instructions from our customers. In general, no party may unilaterally terminate the engagement. For details of our credit policy and payment methods, please refer to the paragraph headed “Sales and marketing – Credit policy and payment methods” in this section.

During the Track Record Period, the agreements we entered into with our distributors, which were also our customers, were long term agreements. For details of the salient terms of such agreements, please refer to the paragraph headed “Business – Integrated advertising and media services – (B) Print media services – Publication of our magazines and book publications” in this section.

### SUPPLIERS

During the Track Record Period, suppliers of our integrated advertising and media business were primarily artistes, a social media platform, third party production houses and photographers, whereas suppliers of our print media services mainly comprised printers, photographers and bookwriters in Hong Kong. We generally select our suppliers based on factors such as, the quality of the services provided by the service providers and their proven track record, our relationship with the service providers, the needs and requirements of our customers on our services or our needs on the publications and efficiency achieved by the service providers in providing services to us.

During the Track Record Period, we did not experience any material shortage or delay of supply due to defaults of our suppliers. Our Directors have confirmed that none of our suppliers was our major customers during the Track Record Period.

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For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, our cost of sales amounted to approximately HK\$8.8 million, HK\$18.5 million, HK\$37.0 million and HK\$27.3 million, respectively; and cost of sales related to the five largest suppliers accounted for approximately 51.6%, 26.2%, 25.2% and 25.0% of our total cost of sales, respectively, while the largest supplier in the corresponding period accounted for approximately 33.9%, 14.5%, 11.0% and 8.8% of our total cost of sales during the Track Record Period respectively. During the Track Record Period, we primarily settle fees for our major suppliers by way of cheque. We have business relationships with our five largest suppliers for around one to five years.

None of our Directors, their close associates or any Shareholder (who or which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company) had any interest in any of our five largest suppliers during the Track Record Period.

### Long term agreements

Our Directors confirmed that the terms and conditions set out in our agreements with our different types of suppliers vary, and the duration of such agreements may be long term or on a project basis, depending on the nature of our business segments.

During the Track Record Period and up to the Latest Practicable Date, we entered into contracts with printing houses for the provision of printing services for our magazines which were legally binding. Set forth below are the details of the major terms of the contracts we have entered into with such suppliers:

Contractual term	:	One year
Specifications	:	Materials used for cover and inner pages, printing sizes and finishing
Terms of payment	:	Within 30 days after the invoice date
Price and quantity	:	The price varies depending on the number of pages to be printed (the more pages are involved, the lower the unit price)

In addition to the above agreement with the printing house, our Group had also entered into a contract with an independent customer which engages in the retail of lingerie for the provision of management service of the customer's fan page on a third party social media platform. Salient terms of the contract are set forth below:

Contract term	:	One year
Services provided	:	(i) Posting of newsfeeds and advertorial contents regularly on the customer's fan page on a third party social media platform; (ii) monitoring response from the viewers; and (iii) re-posting the selected newsfeeds and advertorial contents on our Group's fan pages of "100 Most" and "TVMost" on the third party social media platform
Terms of payment	:	Twelve instalments to be paid on the first day of each calendar month

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### INFORMATION TECHNOLOGY

Our operations require the use of various IT systems, including but not limited to the following key systems:

- sales system – our operation, from the acceptance of customers' engagements to issuance of invoice and payment settlement, are maintained and monitored through the system, facilitating the analysis of our operational data; and
- inventory system – the system allows us to monitor our inventory level as reconciliation against our operational data and analysis of our inventory turnover.

As confirmed by our Directors, there had been no unexpected system or network failure which caused material interruption to our operations during the Track Record Period.

### QUALITY CONTROL

In line with the nature of advertising and media industry, day-to-day service monitoring and evaluations are carried out real-time throughout our engagements by our service teams which includes review of strategies, creative content, overall design of the advertisements and constant communications with customers. To optimise the marketing performance of our advertising and media services, we constantly collect feedbacks from target audience, monitor public responses for evaluation and fine-tuning purposes. Our sales and marketing, design and production and editorial and publication teams are responsible for the day-to-day monitoring of work quality and progress of our Group and our suppliers, ensuring effective communications with our customers and our suppliers so that our engagements are executed according to the specifications of our customers.

### Subcontracting

During the Track Record Period, we have subcontracted photo and video shooting and post-production editing to third party production houses and photographers for our digital and print media services. To ensure our subcontractors fulfil our required standard of work, we select the subcontractors with reference to their experience and job portfolios.

As we started to obtain more video production projects after the official launch of our "TVMost" website in May 2015, we have commenced our business relationships with the majority of our subcontractors since the second half of 2015. Since our subcontractors are specialised in photo and video shooting and editing and have a proven track record of delivering high quality services meeting the required standard of our Group, our Directors believe that the subcontracting arrangement enables us to focus on the creativity part of the production in an effective manner. During the Track Record Period, we mainly engaged third party photographers for photo shooting with respect to our print media services, and digital media services when necessary, and we were able to find alternative photographer for replacement if needed. For video production, we maintained a list of more than five production

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houses to select from. Our Directors believe that maintaining a number of subcontractors will minimise the risk of business disruption due to unavailability of any of our subcontractors. During the Track Record Period, the costs of sales we paid to our subcontractors amounted to approximately HK\$0.1 million, HK\$0.7 million, HK\$3.5 million and HK\$2.9 million, respectively.

### ENVIRONMENTAL MATTERS

Because of our business nature, no pollutant is produced, emitted or discharged during the course of provision of our print, digital and other media services. As such, we are not subject to any specific rules and regulations in relation to the environmental protection matters. We have taken measures to facilitate the environmental-friendliness of our workplace by encouraging a recycling culture within our Group.

### INTELLECTUAL PROPERTY

We have branded our business by using “100毛” and “毛記電視” as our brand names. As at the Latest Practicable Date, we were the registered owner of the trademarks “100毛”, “毛記電視”, “黑紙”, “白卷出版社”, “毛”, “總經理人有限公司” and “FR” in Hong Kong.

Subject to agreement between our Group and our customers, we generally own the copyright of the advertisements we designed and produced for our customers. If our customer wishes to distribute the advertisements on media platforms other than the Digital Media Platforms, such as third parties’ TV channels, Internet or physical advertising spaces, our customers are required to pay us additional royalties and our customers will make their own arrangements with the relevant third parties for such distribution. Our customers may also purchase the advertisement from us by making a lump sum payment so that they become the owner of the advertisement and their use of the advertisement will not be restricted.

Details of our registered intellectual property rights are set out in the paragraph headed “B. Further information about our business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus. During the Track Record Period and up to the Latest Practicable Date, there were no material disputes or infringements in connection with our intellectual property rights pending or threatened against our Group which could have a material adverse effect on our operations or financial performance.

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### EMPLOYEES

As at 31 March 2015, 2016 and 2017, 30 November 2017 and the Latest Practicable Date, we had 29, 52, 68, 82 and 90 full-time employees and nil, four, five, five and five employees working on freelance basis, respectively. All our employees are based in Hong Kong. The following table sets out a breakdown of our full-time employees by functions as at the Latest Practicable Date:

<b>Functions</b>	<b>Number of employees</b>
Management	3
Sales and marketing	17
Design and production	42
Editorial and publication	28
<b>Total</b>	<b><u>90</u></b>

To accommodate the formal diversification of our services to the Digital Media Platforms since the year ended 31 March 2016, we have recruited additional employees who have the expertise in digital media services. In addition, our members of the senior management team and key personnel, including but not limited to, our art managers and creative manager had also concurrently put their effort on our digital media services business in light of the expansion and lead their respective teams in providing our services across each of our business segments.

We generally recruit our employees from the open market and enter into employment contracts with our employees. We offer attractive remuneration packages to our employees. In addition to salaries, our employees who are retained after the probation period are entitled to bonuses and medical insurance coverage. We regularly review the performance of our employees and make reference to such performance reviews in our discretionary bonus and salary review in order to attract and retain talented employees.

We maintain good working relationship with our employees. There had not been any labour strike or material labour disputes faced by our Group during the Track Record Period and up to the Latest Practicable Date. In order to promote overall efficiency, employee loyalty and retention, we provide our employees with technical and operational on-job training and promotion prospects.

We incurred total staff costs of approximately HK\$4.6 million, HK\$13.3 million, HK\$21.1 million and HK\$14.7 million for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, respectively.

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### INSURANCE

We maintain employees' compensation insurance in compliance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) to cover compensation and costs liable by our Group for personal injuries of our employees in Hong Kong in the course of employment with us. We have also taken out and maintained an office insurance for our office premises and office equipment in Hong Kong. The office insurance policy mainly covers loss resulting from burglary, damages made to insured property and increased cost due to business interruptions. Our Directors consider that our Group's insurance coverage is sufficient and in line with the normal commercial practice in Hong Kong.

### AWARDS AND RECOGNITIONS

During the Track Record Period, we have received awards and recognition for the quality and popularity of our services. Some of the significant awards and recognitions we have received are set forth below:

<b>Year awarded/ recognised</b>	<b>Award/recognition</b>	<b>Awarding body</b>
2016	Youth's Favourite Campaign of the Best of the Best MTR Advertising Awards 2015 (Online Voting – Gold) for our Awards Ceremony	The Best of the Best MTR Advertising Awards
2016	2016 Kam Fan Awards – Social and Interactive Video – Social Video (Bronze) <sup>(Note 1)</sup>	The Association of Accredited Advertising Agencies of Hong Kong
2017	2017 Hong Kong Effie Awards – Banking and Financial Services/Insurance (Bronze) <sup>(Note 2)</sup>	The Association of Accredited Advertising Agencies of Hong Kong

*Notes:*

1. The award was given to the advertising agency involved in the project but the conceptualisation and shooting of the video was executed by Blackpaper.
2. The award was given to the marketing agency involved in the project but the conceptualisation and shooting of the video was executed by Blackpaper. No one received the Gold Award or the Silver Award for this category in 2017.

### MARKET AND COMPETITION

The online advertising industry is a fragmented market according to the Ipsos Report. Top players in the online advertising industry in Hong Kong are multinational companies. Apart from international online advertising companies, there are a large number of small and medium sized companies in the Hong Kong market. According to Census and Statistics Department of Hong Kong, there were 1,560 advertising companies registered in Hong Kong as of 2016, which increased from the number in 2011 with a CAGR of approximately 0.9%.

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We compete primarily with entities carrying on business similar to ours in terms of brand recognition, quality of services, effectiveness of sales and marketing efforts, creativity in design and content, price, strategic relationships with customers and suppliers and retention of talented staff. With the increased time spent on the Internet in Hong Kong and proliferation of digital channels, it is expected that more consumers will get access to information or entertainment content through different mobile devices such as smartphones and tablets. On the other hand, the number of active magazine publishing companies is declining with a negative CAGR of approximately 3.7% from 2011 to 2016, while the magazine publishing market had slightly grown with a CAGR of approximately 3.1% in the same period. About 80 publishers have ceased their operation in the last five years. It is expected that the trend of declining magazine publishing companies will continue in the near future, and the industry will become more competitive. For details, please refer to the section headed “Industry overview” in this prospectus.

Please also refer to the section headed “Risk factors – Risks relating to our industry – We are in the highly competitive media services industry and may not be able to successfully compete with our competitors which could reduce our market share and adversely affect our financial performance” in this prospectus for further details.

### SEASONALITY

Our business operation is generally not subject to seasonality changes.

### PROPERTIES

As at the Latest Practicable Date, our Group did not own any real properties.

As at the Latest Practicable Date, we leased from an Independent Third Party four premises which are situated at Unit 5 of 1/F, 18/F and 22/F, respectively and Unit 3 of 21/F in Block B, Tung Chun Industrial Building, 11-13 Tai Yuen Street, Kwai Chung, New Territories, Hong Kong, with an aggregate floor area of approximately 12,187 square feet, as our studio, warehouse and/or office in Hong Kong.

### Property valuation

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

### RISK MANAGEMENT AND CORPORATE GOVERNANCE

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies and adopted by us.

For details of the major risks identified by our management, please refer to the section headed “Risk factors – Risks relating to our Group” in this prospectus.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will adopt, among other things, the following corporate governance and internal control measures:

- the establishment of an audit committee responsible for overseeing the financial records, internal control procedures and risk management systems of our Company;
- the appointment of Mr. Luk as our compliance officer and Mr. Lo Tai On as our company secretary to ensure the compliance of our operation with the relevant laws and regulations in Hong Kong. For their biographical details, please refer to the section headed “Directors and senior management” in this prospectus;
- the appointment of Ever-Long Securities Company Limited as our compliance adviser upon the Listing to advise us on compliance with the Listing Rules;
- with respect to registration of our publications, our executive Directors will closely monitor the registration status of our 100 Most Magazine as local newspapers under the relevant sections of RLNO and NRDR to ensure ongoing compliance. Our Group has also assigned two designated staff to be responsible for registration of our publications who are required to report to our executive Directors regularly on the ongoing compliance and has established written policy and procedures to provide guidance for the relevant staff for ongoing compliance;
- the engagement of external legal advisers to (i) advise us on compliance with the Listing Rules and the relevant laws and regulations in Hong Kong; and (ii) provide ongoing training to our staff on latest developments of the laws and regulations relating to our business operation and industry;
- our executive Directors will continue to review our creative content prior to publication to ensure our continuous compliance with the relevant laws and regulations in Hong Kong, particularly in relation to intellectual property rights and registration of publications;
- we will continue to obtain all necessary consents, permissions and/or licenses and pay such necessary fees for the use of intellectual property rights owned by third parties prior to publication of our creative content; and
- a team comprising our executive Directors will be set up to handle feedbacks received from our customers, viewers and/or any third parties. This is to ensure that all feedbacks can be handled in a timely manner and we can continuously provide high quality services and deliver creative content to the satisfaction of our customers.

### **Policies and procedures adopted by our Group in relation to intellectual property matters**

Our Group has adopted the following policies and procedures to prevent infringement on third party intellectual property rights:

- continuing to obtain licence from CASH for the use of melodies and lyrics registered with CASH;
- all creative content published by us shall be reviewed by our responsible key personnel before publication and/or distribution, and the responsible key personnel should ensure that our Group had obtained the right and/or permission to use the relevant photos, songs, lyrics, etc. to be published in our content. Such key personnel include:
  - our senior editor who shall review the content under advertorial production and advertisement placement;
  - our publishing manager who shall review all of our book publications; and
  - our assistant creative director, digital manager and assistant digital manager who shall review all our content to be distributed on the Digital Media Platforms; and
- providing reference training to our staff on copyright compliance and the function and duties of our responsible personnel on such compliance matters.

### **LEGAL PROCEEDINGS AND COMPLIANCE**

#### **Claims settled, pending or threatened against our Group**

During the Track Record Period and as at the Latest Practicable Date, save as disclosed below, no member of our Group was engaged in any material claim, litigation or arbitration and no material claim, litigation or arbitration was known to our Directors to be pending or threatened against any member of our Group.

In case certain use of third party copyrighted works by us without authorisation during the Track Record Period does not fall under the Fair Dealing Defence under the Copyright Ordinance and is subject to third party copyright infringement claims, our Directors confirmed that (i) we have obtained licence from CASH for our use of melodies and lyrics under the control of CASH during the Track Record Period and will continue to obtain licence from CASH accordingly; (ii) our creative content, which adopt third party works without authorisation, usually provide acknowledgements as to where such works are obtained, making it clear that such works are derived from third party sources; (iii) we did not and will not without authorisation use third party copyrighted works of well-known authors, photographers, artistes or other copyright owners whose works may be licensed at a high licence fee; (iv)

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## BUSINESS

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during the Track Record Period, we received only one copyright infringement complaint in January 2015 from a third party who claimed to be a copyright owner regarding our use of third party copyrighted material but was not able to prove its ownership of the copyrighted material and refrained from pursuing its claim; and (v) save for the said copyright infringement complaint, to the best of our Directors' knowledge and belief, no person or entity has initiated any proceedings, served any written notice, complaint or warning or taken any action against our Group in terms of our use of third party copyrighted works during the Track Record Period. Based on the aforesaid, our Directors are of the view that, even if such use of third party copyrighted materials by us amounts to copyright infringement, it is practically unlikely that any third party claims against such use by us will materialise into court proceedings, and even if litigation ensues, based on our current financial position, the risk of such third party claims causing a material adverse effect on us is unlikely to be high.

Please refer to the sections headed "Risk factors – Risks relating to our Group – Some of our creative content published through digital and print media platforms may expose us to potential liabilities and litigations" and "Regulatory overview – Regulation of print media – Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (the "Copyright Ordinance")" in this prospectus for further details.

### **Legal compliance**

Our Directors confirmed that, save as disclosed below, we have complied with all applicable laws and regulations in Hong Kong in all material respects during the Track Record Period and up to the Latest Practicable Date.

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### *Non-compliance with the Registration of Local Newspapers Ordinance and the Newspapers Registration and Distribution Regulations*

Set out below are incidents of non-compliance of Blackpaper with the Registration of Local Newspapers Ordinance (Chapter 268 of the Laws of Hong Kong) (the “**RLNO**”) and the Newspapers Registration and Distribution Regulations (Chapter 268B of the Laws of Hong Kong) (the “**NRDR**”):

<b>Relevant section of RLNO and NRDR</b>	<b>Particulars of the non-compliance incidents</b>	<b>Reason(s) for the non-compliance</b>	<b>Remedial action</b>	<b>Estimated fine/penalty</b>
Section 7(1) of the RLNO and regulation 2 of the NRDR	Blackpaper failed to register our Blackpaper Magazine and our 100 Most Magazine as local newspapers when they were launched in January 2010 and March 2013, respectively.	The omission of registration of Blackpaper Magazine was not wilful, as it occurred because we were not aware of the relevant registration requirement under the RLNO and the NRDR. In March 2013 when 100 Most Magazine was first launched, our then editorial and publication staff mistakenly believed that (i) registration for an entity would only need to be made once and (ii) the remedial registration we made for Blackpaper Magazine in May 2011 would enable us to satisfy the relevant registration requirement for all our subsequent magazine publication(s) and hence did not apply for registration of 100 Most Magazine. Our Directors had no direct or wilful involvement in the breach.	Upon discovering the breaches, we completed the registration of Blackpaper Magazine on 5 May 2011 and 100 Most Magazine on 13 June 2017.	Under section 20(1) of the RLNO, the maximum penalty is a fine of up to HK\$5,000 and imprisonment for one year for summary conviction and a fine of up to HK\$15,000 and imprisonment for three years for conviction on indictment.  As advised by our Legal Counsel, the non-compliances are very minor and immaterial. The chance of prosecution against Blackpaper for such non-compliances is very remote. Even if there is any prosecution, the maximum penalty will be a sum much lower than the maximum fine as stipulated in the RLNO.

As at the Latest Practicable Date, no notice, demand notice, penalties, charges or other legal documents were served on or made against Blackpaper or its directors in connection with the non-compliance with the RLNO and the NRDR.

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## BUSINESS

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As advised by our Legal Counsel, the chance of prosecution against Blackpaper is very remote, and our Directors are of the view that the non-compliance incidents with the RLNO and the NRDR will not have a material financial or operational impact on us.

### *Non-compliance with the Book Registration Ordinance*

Set out below are incidents of non-compliance of Blackpaper with the Book Registration Ordinance (Chapter 142 of the Laws of Hong Kong) (the “**BRO**”):

Relevant sections of BRO	Particulars of the non-compliance incidents	Reason(s) for the non-compliance	Remedial action	Estimated fine/penalty
Sections 3(1) and 3(2) of the BRO	Blackpaper failed to register Blackpaper Magazine, 100 Most Magazine and 19 <sup>(Note)</sup> out of all the books published by the Group and to deliver five copies of the above to the Book Registration Office within one month after they were published.	The omission was not wilful and was due to the inadvertent oversight of our editorial and publication staff who did not realise that registration and delivery of Blackpaper Magazine, 100 Most Magazine and books was necessary under the BRO. Our Directors had no direct or wilful involvement in the breach.	Upon discovering the breaches, we completed registration of Blackpaper Magazine on 21 July 2015 and 100 Most Magazine on 21 March 2013 under the BRO and five copies of all issues of Blackpaper Magazine and 100 Most Magazine were delivered to the Book Registration Office as at the Latest Practicable Date.  Among the 19 books for which we failed to register within one month, 18 books were delivered to the Book Registration Office for registration on 17 May 2017, 24 July 2017 and 31 August 2017 accordingly, while the remaining one is no longer published.	Under section 3(3) of the BRO, the maximum penalty is a fine of up to HK\$2,000.  As advised by our Legal Counsel, the chance of prosecution for such non-compliance incidents is not high. Even if there is any prosecution, the chance of maximum sentence being imposed is merely fines in small amount.

*Note:* This does not include the 15 books which were registered under the BRO, but the dates of such registration are not specified in the confirmations from the Book Registration Office.

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As at the Latest Practicable Date, no notice, demand notice, penalties, charges or other legal documents had been served on or made against Blackpaper or its directors in connection with the non-compliance with the BRO.

As advised by our Legal Counsel, the chance of prosecution against Blackpaper is not high, and our Directors are of the view that the non-compliance incidents with the BRO will not have a material financial or operational impact on us.

### **Internal control**

The internal control consultant engaged by our Group has undertaken the following works to ensure our compliance with our internal control procedures related to the above non-compliant incidents: (i) conducted interviews with the relevant personnel of our Group managing and/or are involved in our publication business to understand our Group's procedures on registration of our print publications; (ii) obtained and reviewed the related documents on our Group's compliance with the RLNO, the NRDR and the BRO; and (iii) conducted tests on control measures. Upon conducting the abovementioned works, the internal control consultant identified two major deficiencies of our Group, namely, (i) there was no designated person responsible for compliance of relevant laws and regulations with respect to registration of our publications; and (ii) no written policy and procedure with respect to registration of our publications is available. As at the Latest Practicable Date, such deficiencies have been remediated by our Group by assigning two designated staff and each of them is responsible for ensuring our compliance with the relevant procedures for magazines and book publications, respectively. To ensure ongoing compliance, the appointed staff are required to report the registration matter to our executive Directors on a regular basis. In addition, written policy and procedures have also been established to provide guidance to relevant staff for ongoing compliance. The internal control consultant has carried out follow-up review with our Group and confirmed that such measures are adequate and effective to prevent recurrence of non-compliant incidents with respect to registration of our publications.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately upon the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), Mr. Iu, Mr. Luk and Mr. Tsui are regarded as a group of Controlling Shareholders as they indirectly hold in aggregate 67.5% of the issued share capital of our Company through Blackpaper BVI, which is a common investment holding vehicle that exclusively holds their interests in our Company. Blackpaper BVI had no operations as at the Latest Practicable Date. For the purpose of the Listing Rules, Mr. Iu, Mr. Luk, Mr. Tsui and Blackpaper BVI are our Controlling Shareholders.

Each of our Controlling Shareholders confirmed that, as at the Latest Practicable Date, he/it did not hold any interest in any listed company.

### DELINEATION OF BUSINESS

#### Business activities carried on by our Group

We are an integrated advertising and media services provider that principally engages in provision of the one-stop advertising solution package, advertisement production and placement and magazine and book publications. We also engage in events organisation and artistes management for the purpose of complementing our business of content production. Please refer to the section headed “Business – Our principal business” in this prospectus for further details. Below sets out an overview of business activities conducted by our Group in each business segment:–

Segment	Business activities
(i) Digital media services	<ul style="list-style-type: none"><li>• Digital media advertisement production and placement</li><li>• Digital media third-party advertisement placement</li><li>• Managing fan pages of “100 Most” and “TVMost” on social media platforms and our “TVMost” website</li></ul>
(ii) Print media services	<ul style="list-style-type: none"><li>• Magazines and books publication</li><li>• Print media advertorial production and placement</li><li>• Print media third-party advertisement placement</li></ul>
(iii) Other media services	<ul style="list-style-type: none"><li>• Events organisation</li><li>• Sourcing and negotiating performance opportunities for our contracted artistes</li><li>• Providing performance guidance to our contracted artistes</li></ul>

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### **Business activities carried on by our Controlling Shareholders and their close associates outside our Group**

During the Track Record Period and up to the Latest Practicable Date, our Controlling Shareholders and their close associates carried out several business activities in their personal capacities (the “**Excluded Business(es)**”). Each of our Controlling Shareholders who are also our executive Directors confirmed that he used personal resources for conducting the Excluded Businesses and devoted most of his time to our Group during the Track Record Period. The Excluded Businesses conducted by our Controlling Shareholders and their close associates include:

- (i) **Posting of advertising newsfeeds on personal fan page(s) on a social media platform** – Due to Mr. Tsui’s industry reputation and his fan base on a social media platform, his personal fan page on the social media platform (together with Mr. Iu and Mr. Luk’s personal fan pages, referred to as the “**Personal Fan Page(s)**”) has been considered as an advertising channel among brand owners and advertisers. Mr. Tsui has been requested by Independent Third Parties to post advertising newsfeeds relating to these third parties’ services and/or products on the Personal Fan Page in return for advertising fees. Such posting of advertising newsfeeds is usually in either one of two forms, being (i) sharing of the advertisement productions (whether prepared by third parties or our Group) on the Personal Fan Page with personal views written by Mr. Tsui, and (ii) sharing of photos and/or videos that are prepared by and feature Mr. Tsui himself on the Personal Fan Page. During the Track Record Period, our Group did not manage or operate the Personal Fan Page for Mr. Tsui, enter into any engagement with him for provision of relevant services, source any customers or promote his services or assist him with his provision of such services by negotiating with any third parties. There was no revenue sharing arrangement between our Group and Mr. Tsui in relation to his posting of advertising newsfeeds on the Personal Fan Page (whether or not such newsfeeds contain advertisement productions produced by our Group).

During the Track Record Period, Mr. Iu and Mr. Luk did not engage in this Excluded Business. The total revenue generated by Mr. Tsui from this Excluded Business amounted to nil, approximately HK\$0.2 million, HK\$2.0 million and HK\$1.4 million for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, respectively. Mr. Tsui was engaged by 25 parties to post 49 advertising newsfeeds in total on the Personal Fan Page during the Track Record Period. All these 25 parties were also customers of our Group.

- (ii) **Freelance writing** – Our Controlling Shareholders including Mr. Iu, Mr. Luk and Mr. Tsui have been writers prior to the establishment of our Group. They have been engaged individually or jointly in writing books for publication, writing columns in local newspapers and writing lyrics of local pop songs. Prior to the establishment of our Group, books written by our Controlling Shareholders were published by third party publishers. The transition came when our Group established Whitepaper

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Publishing in December 2013 and, since then, all books written by our Controlling Shareholders were published by our Group. Among the 109 titles of books published by us during the Track Record Period, two, nil and 11 were authored by Mr. Iu, Mr. Luk and Mr. Tsui, respectively, and four were jointly authored by them. The remaining 92 titles of books were authored either by third parties or the employees of our Group. For details of the connected transactions in relation to our Group's publication of books written by our Controlling Shareholders, please refer to the section headed "Connected transactions" in this prospectus.

During the Track Record Period, the total revenue generated by our Controlling Shareholders in aggregate from this Excluded Business of freelance writing is as follows:

	For the year ended 31 March			For the eight months ended 30 November
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Royalty income received from our Group for freelance writing <sup>(1)</sup>	196	176	263	75
Royalty income received from Independent Third Parties for freelance writing <sup>(2)</sup>	244	266	29	7
<b>Total</b>	440	442	292	82

*Notes:*

- (1) During the Track Record Period, our Controlling Shareholders received royalty income paid by our Group. Such income represented the royalties for books that were authored by them and were published and sold by our Group.
- (2) During the Track Record Period, our Controlling Shareholders received income for freelance writing from Independent Third Parties which mainly included local newspapers and CASH for columns and lyrics of local pop songs that they wrote.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (iii) **Freelance performance and events participation** – Each of our Controlling Shareholders has over ten years of experience in the media and entertainment industry. Details of their biographical background are set forth in the section headed “Directors and senior management” in this prospectus. During the years when they worked in Commercial Radio Hong Kong and prior to the establishment of our Group, each of our Controlling Shareholders received invitations from entities such as commercial organisations and broadcasting companies for various freelance performance opportunities such as being featured in advertisements and participating in events and programmes. Subsequent to the establishment of our Group, while they have been focusing on the business operations of our Group, they continued to be personally approached for various performance and event participation opportunities. They were invited to act as guest speakers in talks and seminars, to host or participate in television programmes and to act as voice actors in a cartoon series. Mr. Iu, Mr. Luk and Mr. Tsui undertook a total of six, four and 17 performances and events during the Track Record Period, respectively. Mr. Iu was engaged by four parties to participate in six freelance performances and events. Three of these four parties were also customers of our Group. Mr. Iu was not engaged as an actor to take part in any advertising video. Mr. Luk was engaged by two parties to participate in four freelance performances and events. One of these two parties was also a customer of our Group. Mr. Luk was not engaged as an actor to take part in any advertising video. Mr. Tsui was engaged by 12 parties to partake in 17 freelance performances and events, seven of which were related to advertising videos where Mr. Tsui was engaged as an actor. All of these 12 parties were also customers of our Group. Five out of the seven advertising videos that Mr. Tsui participated in were produced by our Group. Our Group did not source or assist any of our Controlling Shareholders in securing any of their personal engagements in this Excluded Business.

Our Controlling Shareholders generated income from this Excluded Business of approximately HK\$193,000, HK\$198,000, HK\$1.7 million and HK\$400,000 in aggregate for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, respectively. During the Track Record Period, our Group did not enter into any engagement, nor did we have any revenue sharing arrangements with our Controlling Shareholders for such performance or event participation.

- (iv) **Personal business activities carried on by close associate** – Mrs. Tsui (also known as “**The Pancakes**”) is a singer-song writer who has been composing and writing lyrics for theme songs and advertisements and participating in various performances. She founded her own business, Rewind Records, in May 2000 for managing her music career.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### Delineation of our business from the Excluded Businesses

#### (A) Comparison between the Excluded Business and business activities carried on by our Group

Our Directors are aware of the general perception of the public that the Excluded Businesses carried on by our Controlling Shareholders may overlap with the businesses of our Group. Tables below set out an overview of comparisons between the Excluded Business and our Group's business.

	<u>Excluded Business</u>	<u>Our Group's business</u>
(i)	<i>Posting of advertising newsfeeds on the Personal Fan Pages</i>	<i>Digital media advertisement production and placement; third-party advertisement placement; and managing fan pages on social media platforms</i>
Product classification/ content	<ul style="list-style-type: none"> <li>– The Personal Fan Pages have been used for posting (i) advertisements produced by our Group; (ii) advertisements produced by Independent Third Parties; and (iii) advertising newsfeeds produced by Mr. Tsui.</li> <li>– For some of the advertising newsfeeds posted on Mr. Tsui's Personal Fan Page, Mr. Tsui designs and creates the content for promoting the relevant products or services. Such productions are of small scale, low-cost and limited to the forms of photograph, video and advertorial that are taken and prepared by Mr. Tsui himself.</li> </ul>	<ul style="list-style-type: none"> <li>– Our fan pages on social media platforms have been used for posting advertisements produced by our Group and by Independent Third Parties.</li> <li>– We offer one-stop advertising solution packages which include slogan design, planning of marketing strategy and direction, conceptualisation and formulation of advertising ideas, design and production of advertisements and artwork, overall production management and coordination, artistes liaison and media distribution. Such productions can be in the form of a video, online banner, newsfeed or advertorial and we had an established design and production team comprising 42 full-time staff members as at the Latest Practicable Date to provide creative inputs and assist in advertisement production.</li> </ul>

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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	<u>Excluded Business</u>	<u>Our Group's business</u>
Market	<ul style="list-style-type: none"> <li>- As the advertisements and advertising newsfeeds are posted on the Personal Fan Pages which are publicly accessible on the Internet, there is no designated market for this Excluded Business.</li> </ul>	<ul style="list-style-type: none"> <li>- As the advertisements and advertising newsfeeds are posted on our fan pages which are publicly accessible on the Internet, there is no designated market for this business.</li> </ul>
Audience/ readership	<ul style="list-style-type: none"> <li>- Target audience consists mainly of viewers of the Personal Fan Pages, a majority of which encompasses followers of the Personal Fan Pages.</li> </ul>	<ul style="list-style-type: none"> <li>- Target audience consists mainly of viewers of our fan pages on social media platforms and TVMost website and readers of 100 Most Magazine which our Group accumulated from its years of operation.</li> </ul>
Customers/form of income	<ul style="list-style-type: none"> <li>- Customers mainly include advertising agencies of brand owners and brand owners, and Mr. Tsui receives service fees for posting advertising newsfeeds.</li> </ul>	<ul style="list-style-type: none"> <li>- Customers mainly include advertising agencies of brand owners and brand owners, and our Group receives advertising fees for provision of the one-stop advertising solution package.</li> </ul>
(ii)	<i>Freelance writing</i>	<i>Print media magazines and books publication</i>
Product classification/ content	<ul style="list-style-type: none"> <li>- Our Controlling Shareholders write columns and author books, the content of which encompasses mainly anecdotes, fictions and proses. Our Controlling Shareholders did not write any articles for another weekly magazine.</li> <li>- Our Controlling Shareholders' book publications are all published and sold by our Group during the Track Record Period.</li> </ul>	<ul style="list-style-type: none"> <li>- 100 Most Magazine is a weekly magazine and each issue contains 100 short articles which present designed artworks prepared by our design and production team and are written in a humorous tone by our editorial and publication team. The articles in general focus on entertainment topics. Our Group publishes books which are authored by third parties, our Controlling Shareholders and our employees.</li> </ul>

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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	<u>Excluded Business</u>	<u>Our Group's business</u>
Market	<p>– Our Controlling Shareholders' columns are printed in local newspapers that are mainly sold in Hong Kong, and books authored by our Controlling Shareholders are published by our Group as the publisher in Hong Kong during the Track Record Period.</p>	<p>– Our Group's magazines and book publications are principally sold in Hong Kong.</p>
Audience/ readership	<p>– Target readers of our Controlling Shareholders' columns and books consist of the general public in Hong Kong.</p>	<p>– Target readers of our 100 Most Magazine and book publications are the younger generation groups and the general public in Hong Kong respectively.</p>
Customers/ form of income	<p>– Our Controlling Shareholders as writers mainly (a) provide textual content to local newspapers for publishing as columns and in return receive royalties, (b) write lyrics of local pop songs and in return receive royalties, and/or (c) author books and in return receive royalties. Parties who require their services encompass mainly book publishers including our Group, local newspapers and record companies and producers.</p>	<p>– Our Group as a book publisher requires writers to provide textual content for our book publications. Content of our magazines are primarily written by our Group's editorial and publication team. We mainly sell our magazines and book publications to distributors at pre-agreed discounts to the respective magazine/book retail prices.</p>

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

	<u>Excluded Business</u>	<u>Our Group's business</u>
(iii)	<i>Freelance writing</i>	<i>Print media advertisement production and placement; third-party advertisement placement</i>
Product classification/ content	<p>– The textual content written by our Controlling Shareholders is not advertising in nature. Our Controlling Shareholders did not distribute any advertisements or promote any products and/or services for any third parties through freelance writing of books, columns and lyrics.</p>	<p>– One purpose of the publication of our 100 Most Magazines is to create a print media platform for distribution of advertisements. The content of our advertisement productions and advertisements produced by third parties to be placed in our 100 Most Magazine relates to specific products and/or services as requested by our customers and the creation of such content is tailored to fulfil the needs of our Group's customers.</p>
Market	<p>– Our Controlling Shareholders' columns are printed/published in local newspapers mainly in Hong Kong. Their books published by our Group as the publisher are mainly sold in Hong Kong.</p>	<p>– Our Group's magazine, 100 Most Magazine, is sold in Hong Kong.</p>
Audience/ readership	<p>– Target readers of our Controlling Shareholders' columns and books consist primarily of the general public in Hong Kong.</p>	<p>– Target readers of our 100 Most Magazine consist primarily of the younger generation groups in Hong Kong.</p>
Customers/form of income	<p>– Our Controlling Shareholders as writers mainly (a) provide textual content to book publishers and local newspapers for publishing as columns and books and in return receive royalties, and/or (b) write lyrics of local pop songs and in return receive royalties. Parties who require their services encompass mainly book publishers, newspapers and record companies and producers.</p>	<p>– Our target customers are brand owners and advertising agencies and we receive advertising fees (i.e. service fees for advertisement production and/or placement).</p>

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

	<u>Excluded Business</u>	<u>Our Group's business</u>
(iv)	<i>Freelance performance and event participation</i> <i>Events organisation</i>	
Service classification/ content	– Our Shareholders participate in freelance performances and events as artistes or public figures. They perform and participate in career talks and seminars where they act as guest speakers, television programmes where they act as hosts or performers, cartoon series where they act as voice actors and advertisements where they perform as actors.	– Our Group organised Awards Ceremony and Anniversary Ceremony. As the host of these events, we were responsible for preparing the show content, promoting the events and conducting general execution works. We also invited various artistes and performers to participate in these shows.
Market	– Our Shareholders' freelance performances and events mainly take place in Hong Kong.	– Events and shows organised by our Group took place in Hong Kong.
Audience/ readership	– The audience of the performances and events consist of the participants of the same.	– The audience of the performances and events consist of the participants of the same and general public in Hong Kong.
Customers/ form of income	– Customers mainly include advertising agencies of brand owners, brand owners and broadcasting media companies. Our Controlling Shareholders were approached by their customers directly for performance opportunities and received performance fee from their customers. Our Controlling Shareholders have not entered into any artistes management arrangement with our Group or any other artistes management company during the Track Record Period.	– Customers mainly include advertising agencies of brand owners and brand owners who engage us for the provision of sponsorship package and audience who bought tickets to attend the events. We receive income from the sales of tickets.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

	<u>Excluded Business</u>	<u>Our Group's business</u>
(v)	<i>Freelance Performance and events participation</i> <i>Artistes Management</i>	
Service classification/ content	<ul style="list-style-type: none"> <li>– Our Shareholders participate in freelance performances and events as artistes or public figures. They perform and participate in career talks and seminars where they act as guest speakers, television programmes where they act as hosts or performers, cartoon series where they act as voice actors and advertisements where they perform as actors.</li> </ul>	<ul style="list-style-type: none"> <li>– Our Group acts as the manager of our artistes whose public images and performance opportunities within and outside our Group are all managed by our Group.</li> <li>– Our Group sources performance and event participation opportunities for our artistes who are mainly our existing or former employees. Our Group may suggest a few of our artistes to our customers as candidates to be featured in advertisements produced by our Group.</li> <li>– Our Group's artistes generally participate in programmes and events organised by our Group and/or by our customers.</li> </ul>
Market	<ul style="list-style-type: none"> <li>– Our Shareholders' freelance performance and events mainly take place in Hong Kong.</li> </ul>	<ul style="list-style-type: none"> <li>– Our artistes' performances and shows mainly take place in Hong Kong.</li> </ul>
Audience/ readership	<ul style="list-style-type: none"> <li>– The audience of the performances and events consists of the participants of the same.</li> </ul>	<ul style="list-style-type: none"> <li>– The audience of our artistes' performances and events consists of the participants of the same and general public in Hong Kong.</li> </ul>

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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	<u>Excluded Business</u>	<u>Our Group's business</u>
Customers/ form of income	– Customers mainly include advertising agencies of brand owners, brand owners, broadcasting media companies. Our Controlling Shareholders are approached by their customers directly for performance opportunities and have not entered into any arrangement with any artistes management company. Our Controlling Shareholders receive performance fees directly from their customers for performances and events they partake.	– Customers who require our artistes' services mainly include advertising agencies of brand owners and brand owners. Our Group receives certain percentage of the performance fees received by our artistes in each performance as income under our artistes management business.

**(B) Clear delineation between the Excluded Businesses and business activities carried on by our Group**

**(i) The Excluded Business of freelance writing and our Group's magazine and book publication services**

There is a clear delineation between the Excluded Business of freelance writing and our magazines and books publication as:

- (a) each of our Controlling Shareholders, Mr. Iu, Mr. Luk and Mr. Tsui (as the authors), provides textual content of books to be published to our Group (as the book publisher) and receives royalties from us in return of the textual content provided. Our Group is responsible for the design of the book covers and layout of the book content and subsequently publishes and sells the book publications primarily to the Book Distributor at pre-agreed discounts to the book retail prices. There is a clear delineation between the freelance writing of books carried on by each of our Controlling Shareholders who are the authors and the book publications business conducted by our Group as the publisher;
- (b) the content provided by our Controlling Shareholders to local newspapers, record companies and producers does not overlap with the textual content in our 100 Most Magazine;
- (c) the target readers of the columns and lyrics of our Controlling Shareholders, being the general public in Hong Kong, are generally different from those of our 100 Most Magazine, being the younger generation groups primarily in Hong Kong; and

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (d) there are no overlapping customers between our Controlling Shareholders' freelance writing and our publication business, as freelance writers such as our Controlling Shareholders are our upstream content providers who receive income from local newspapers, record companies and producers and do not compete with us in terms of our magazines publication business. We primarily sell magazines to our Magazine Distributor and receive pre-agreed discount to retail price of the same as income.

**(ii) The Excluded Business of freelance writing and our Group's print media services advertorial production and placement and third-party advertisement placement**

There is a clear delineation between the Excluded Business of freelance writing and our advertorial production and placement and third-party advertisement placement services under our print media services segment as:

- (a) our Controlling Shareholders' freelance writing is not advertising in nature. The textual content written by our Controlling Shareholders does not relate to any specific products and/or services of any third parties, nor involve placement of any advertisements. Instead, such content consists mainly of their anecdotes and fictions. The main purpose of our 100 Most Magazine is to create a print media platform for distribution of advertisements. The content of our advertorial productions and advertisements produced by third parties to be placed in our 100 Most Magazine relates to specific products and/or services as requested by our customers and the creation of such content is tailored to fulfil the needs of our Group's customers. Our Directors hence consider that the extent of content overlapping, if any, between our 100 Most Magazine and textual content from the Excluded Business of freelance writing, is minimal; and
- (b) there are no overlapping customers, as freelance writers such as our Controlling Shareholders are our upstream content providers who receive royalties from book publishers, local newspapers, record companies and producers for writing columns and lyrics. Our Controlling Shareholders do not compete with us in terms of our print media advertorial production and placement services as our customers are mainly brand owners and advertising agencies and we receive advertising fees from them.

**(iii) The Excluded Business of freelance performance and events participation and our Group's events organisation**

There is a clear delineation between the Excluded Business of freelance performance provided by the Controlling Shareholders and the business of events organisation rendered by our Group. Since our Controlling Shareholders only act as the upstream service providers, they do not organise any event. During the Track Record Period, our Group organised and hosted events. Our Group was responsible for designing the programmes and arranging the rundown of the events. Our Group, being the downstream organiser, invited various artistes and performers to participate in these events.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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**(iv) The Excluded Business of posting advertising newsfeeds on Personal Fan Pages and our Group's digital media services**

*Similarities between the Excluded Business and our Group's business activities*

Our Directors consider that the Excluded Business of posting advertising newsfeeds on Personal Fan Pages may overlap with certain business activities under our Group's digital media services segment (i.e. our Group may be involved in carrying on this Excluded Business) and there are similarities between the two, being that:

- (a) both the Personal Fan Pages and our fan pages on social media platforms can be used for posting advertisements produced by our Group and third parties;
- (b) our customers can engage us to conduct advertisement production and place the advertisements produced by us on the Digital Media Platforms and/or other channels. At the same time, our customers can approach our Controlling Shareholders and negotiate directly with them about the posting of advertisements on the Personal Fan Pages for additional public exposure; and
- (c) our customers can request both our Group and our Controlling Shareholders to post the advertisements provided by our customers themselves on the Personal Fan Pages and the Digital Media Platforms.

*Delineation between the Excluded Business and our Group's business activities despite the overlapping*

Digital media services segment is one of our major revenue streams ever since we formally diversified and expanded our service offerings to encompass digital media services in the year ended 31 March 2016. We provide one-stop advertising solution package to our customers which offers services ranging from slogan design, planning of marketing strategy and direction, conceptualisation and formulation of advertising ideas, design and production of advertisements and artworks, overall production management and coordination, artistes liaison to media distribution. For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, our digital media service segment contributed revenue in the amount of nil, approximately HK\$28.4 million, HK\$74.5 million and HK\$50.6 million, representing nil, approximately 51.8%, 78.2% and 91.3% of our revenue, respectively. On the other hand, total revenue generated by Mr. Tsui during the Track Record Period from the posting of advertising newsfeeds on his Personal Fan Page amounted to nil, approximately HK\$0.2 million, HK\$2.0 million and HK\$1.4 million, respectively.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Even though the business activities conducted under our digital media services segment are important to our Group as far as revenue is concerned, the posting of advertising newsfeeds by Mr. Tsui on his Personal Fan Page as an Excluded Business did not have material adverse impact on the operations of our Group, nor result in any competition between our Group's business and the Excluded Business due to the following reasons:–

- (a) Under our digital media services segment, most of our revenue is generated from the provision of the one-stop advertising solution package. Our Group can produce an advertisement in the form of a video, online banner, newsfeed or advertorial. The advertisement produced can be distributed on various channels such as TV channels, Digital Media Platforms and our website. The provision of such services requires collective efforts from our teams of staff that are responsible for various areas including sales and marketing, design and production and editorial and publication. Such services cannot be performed on an individual basis without the requisite technical skills and resources. On the other hand, Mr. Tsui, as an individual, is only capable of conducting small-scale advertisement productions such as producing an advertisement in the form of a photograph or a brief video taken by himself and providing commentaries on the products and services he was requested to promote on his Personal Fan Page. Mr. Tsui's services are not able to replace the services provided by our Group.
- (b) During the Track Record Period, the value of mandates accepted by Mr. Tsui in his personal capacity for carrying on the Excluded Business of posting of advertising newsfeeds with and without our involvement is as follows. For the avoidance of doubt, in relation to those mandates with our Group's involvement, we were engaged to provide services separately from the engagement of Mr. Tsui for posting of advertising newsfeeds.

	For the year ended 31 March			For the eight months ended 30 November
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
With our Group's involvement <sup>(Note)</sup>	–	120	1,407	364
Without our Group's involvement	–	73	594	1,016
<b>Total</b>	<b>–</b>	<b>193</b>	<b>2,001</b>	<b>1,380</b>

*Note:* Our Group is involved in Mr. Tsui's posting of advertising newsfeeds in the following ways, among others: (i) the advertisement that was produced and distributed by our Group was wholly or partially posted by Mr. Tsui on his Personal Fan Page under separate customer engagements; (ii) our Group and Mr. Tsui were separately engaged by the same customer to produce advertisements for the same products and/or services and distributed the respective advertisements on the Digital Media Platforms and his Personal Fan Page respectively; and (iii) our Group and Mr. Tsui were separately engaged to post the same advertisement produced by the customer or a third party.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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We did not deal directly with Mr. Tsui and all the engagements taken up by Mr. Tsui were negotiated directly between Mr. Tsui and the customers during the Track Record Period. As such, this clearly indicates that (i) the fact that Mr. Tsui receives a business opportunity to share an advertisement on his Personal Fan Page does not mean that our Group is precluded from the same business opportunity and (ii) we did not rely on our Controlling Shareholders to secure the engagements.

- (c) The reason that our customers approached Mr. Tsui for posting of advertising newsfeeds for additional public exposure was due to the fact that Mr. Tsui's Personal Fan Page has a fan base that was established through Mr. Tsui's years of experience in the media and entertainment industry and his public image which he built up over the years. Our Directors believe that such credentials are Mr. Tsui's personal assets and are non-transferable. In addition, it is possible that the fan base of Mr. Tsui may not be the same as that of our Group, thus our customers engage both our Group and Mr. Tsui to post advertising newsfeeds for the same advertisements in order to maximise publicity.

**(v) The Excluded Business of freelance performance and event participation and our Group's artistes management service**

*Similarities between the Excluded Business and our Group's business activities*

Our Directors consider that the Excluded Business of freelance performance and event participation may overlap with certain business activities under our Group's artistes management business (i.e. our Group may be involved in carrying on this Excluded Business) and there are similarities between the two, being that:

- (a) our Group will source for our artistes opportunities to participate in events and performances which our Controlling Shareholders may partake; and
- (b) it is possible that our customer may designate our Controlling Shareholders to be featured in advertisements or events instead of the candidates proposed by us namely our artistes.

*Delineation between the Excluded Business and our Group's business activities despite the overlapping*

The artistes management fees generated by us from our artistes' participation in activities organised by third party customers amounted to nil, approximately HK\$0.4 million, HK\$0.5 million and HK\$0.2 million, representing nil, approximately 0.6%, 0.5% and 0.4% of our revenue respectively during the Track Record Period. In relation to the income relating to our artistes' appearances in advertisements which we produced for our customers and events we organised, such amounts were nil, approximately HK\$0.6 million, HK\$2.6 million and HK\$0.9 million respectively for the same periods and were

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

netted off against our digital media services revenue as inter-segment transactions. The reason for our Group to embark on this business activity is to create a platform for our employees to perform in various shows and events as artistes, so as to gain public exposure and familiarise themselves with media operation. As such, the majority of our contracted artistes are our employees and this business activity requires us to provide performance guidance to our contracted artistes and be actively sourcing performance opportunities for our contracted artistes. This business activity plays a complementary role to the operations of our digital media and print media services segments.

As our Controlling Shareholders do not engage in artistes management business and they only participate in events and performances if they see fit, there is no overlapping between our artistes management and the Excluded Business carried on by our Controlling Shareholders. Nevertheless, there were six cases where both our Controlling Shareholders and our contracted artistes participated in the same event or took part in the same advertisement production.

The table below shows the value of mandates accepted by our Controlling Shareholders for performances and events in which they participated.

	For the year ended 31 March			For the eight months ended 30
	2015	2016	2017	November
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i> <i>HK\$'000</i>
Value of mandates accepted by our Controlling Shareholders for performances and events in which only our Controlling Shareholders participated	193	148	1,190	–
Value of mandates accepted by our Controlling Shareholders for performances and events in which both our artistes and our Controlling Shareholders participated	–	50	546	400
<b>Total</b>	<u>193</u>	<u>198</u>	<u>1,736</u>	<u>400</u>

Our Group did not source or negotiate any performance opportunities for and on behalf of our Controlling Shareholders during the Track Record Period. Our Controlling Shareholders consider that they do not require any artiste management service.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Our Directors do not consider that the taking up of freelance performances and participation in events by our Controlling Shareholders as an Excluded Business has material adverse impact on the operations of our Group, nor result in any competition between our Group's business and the Excluded Business which may render our Group unsuitable for Listing due to the following reasons:–

- (a) our artistes management operation plays a complementary role to our Group's business;
- (b) under our artistes management business, we generally focus on providing performance opportunities to our artistes who are mostly our current or former employees;
- (c) any performance opportunity, even if it is not taken up by our Controlling Shareholders, may not be available to our Group's artistes and vice versa. This is because each artiste possesses a specific set of distinguishing features in terms of, among others, his/her public image, performance style, target market or audience that he/she appeals to; and
- (d) the image that an artiste possesses is non-transferable. Customers and advertisers choose and engage specific artistes who are equipped with features that match their promotional strategies and/or can adequately present concepts attached to their products or services.

### **(C) Conclusion**

In view of the aforesaid, our Directors are of the view that:–

- (i) despite certain similarities between our Controlling Shareholders' participation in freelance performances and events and our Group's arrangement for performance opportunities for our artistes, we believe that such similarities do not result in competition as (a) the public image of an artiste is unique and non-transferable, (b) our Controlling Shareholders did not engage or require any third party manager and/or our Group to assist them in this respect, and (c) our Group's artistes are mainly our employees and we source performance opportunities for them. Our Controlling Shareholders do not actively market themselves and usually participate in various performances and advertisement productions only upon invitation. In short, the similarities are rather indirect and, in light of the complementary role of our artistes management operation to our business, such potential overlapping should not render our Company unsuitable for Listing;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (ii) the similarity between our Group's business and the Excluded Business of posting advertising newsfeeds is not significant to the extent which would render our Company unsuitable for Listing. Nevertheless, our Controlling Shareholders have entered into the following arrangements:
  - (a) each of our Controlling Shareholders (namely Mr. Iu, Mr. Luk and Mr. Tsui) will enter into an agency agreement with our Group, pursuant to which each of our Controlling Shareholders agrees that, after the Listing, in the event that he is requested by customers to post advertising newsfeeds on his/their Personal Fan Page(s) which our Controlling Shareholders presently operate or set up on digital social media platforms during the three years ending 31 March 2020, our Group shall be solely and exclusively responsible for (1) acting as his agent to negotiate with such customers in relation to the commercial terms for the posting of advertising newsfeeds on the Personal Fan Page(s) and/or production of the content to be posted and (2) deciding (after consultation with each of our Controlling Shareholders) whether or not to take up an engagement, and, in consideration of such agency services, our Group will be entitled to a pre-agreed portion of the fee to be received from the customers for the relevant Controlling Shareholders posting of advertising newsfeeds on the Personal Fan Page(s). Such arrangement is in line with our existing arrangements with our contracted artistes who are running personal fan pages. For details of the connected transactions in relation to the agency services to be provided by our Group to our Controlling Shareholders, please refer to the section headed "Connected transactions" in this prospectus; and
  - (b) our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company, whereby, among other things, each of them has undertaken that, if any new business opportunity relating to the posting of advertising newsfeed is identified by or made available to them, he shall direct such business opportunity to the Company for further handling. For details, please see the paragraph headed "Non-competition undertakings" in this section below.

### NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders entered into a deed of non-competition dated 6 March 2018 in favour of our Company and our subsidiaries. Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of our subsidiaries) that, save and except as disclosed in this prospectus, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business particularly, posting of advertising newsfeeds on their Personal Fan Page(s) and content production for advertisements, that is in competition with or likely to be in competition with the existing business activity(ies) of any member of

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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our Group and any business(es) that our Group may engage in from time to time within Hong Kong and such other parts of the world where any member of our Group may operate from time to time, save for the holding of not more than 5% shareholding interest (individually or with his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/its close associates, if applicable) whose shareholding interest in the relevant listed company is higher than that of the relevant Controlling Shareholder (individually or with his/its close associates).

Each of our Controlling Shareholders further undertakes that, if he/it or his/its close associates, other than any member of our Group, is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall promptly notify our Group in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the relevant Controlling Shareholder whether our Group will exercise the right of first refusal.

Upon receipt of written notice, we will seek opinions and decisions from all independent non-executive Directors as to whether the business opportunity constitutes Excluded Business. Given the variety of business opportunities that our Controlling Shareholders may receive, our Directors consider that it would be more effective for our independent non-executive Directors to first examine whether the business opportunity at hand constitutes Excluded Business. If our independent non-executive Directors decide that the business opportunity constitutes Excluded Business, they will further consider (i) whether it is in the interests of our Company and our Shareholders as a whole to take up the business opportunity; and (ii) whether our Company shall take up or decline the business opportunity.

Our Group shall only exercise the right of first refusal upon the approval of the same by a majority of our independent non-executive Directors who do not have any interest in such opportunity. The relevant Controlling Shareholder(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board convened to consider such opportunity including but not limited to the relevant meeting(s) of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

- (i) each of our Controlling Shareholders undertakes to provide any information as is reasonably required by our Group and/or our independent non-executive Directors as bases to decide whether to exercise the right of first refusal by our Company from time to time;
- (ii) our independent non-executive Directors shall review on an annual basis the above undertakings from the Controlling Shareholders and evaluate the effective implementation of the Deed of Non-competition; and

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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- (iii) each of the Controlling Shareholders undertakes to provide all information necessary for the aforesaid annual review on the enforcement of the Deed of Non-competition by our independent non-executive Directors and to provide an annual confirmation on his/its compliance with the Deed of Non-competition for inclusion in the annual report of our Company.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Department of the Stock Exchange granting approval for the Listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreement having been fulfilled (or where applicable, waived) and the Underwriting Agreement not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date specified in the Underwriting Agreement (unless such conditions are waived on or before such date) or in any event on or before the date falling 30 days after the date of this prospectus, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall become ineffective on the date on which (i) in relation to any Controlling Shareholders, when he/it together with his/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company provided that the Deed of Non-competition shall continue to be in full force and effect as against the other Controlling Shareholders, or (ii) our Shares cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

As our Controlling Shareholders have given non-competition undertakings in favour of our Company, and other than members of our Group and, save as disclosed under this section, none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders following the Listing.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR CLOSE ASSOCIATES**

Having considered the following factors, our Directors are satisfied that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates after the Listing.

#### **Management and administrative independence**

Our Board comprises three executive Directors, namely Mr. Iu, Mr. Luk and Mr. Tsui, and three independence non-executive Directors, namely Mr. Leung Wai Man, Mr. Ho Kwong Yu and Mr. Leung Ting Yuk. The three independent non-executive Directors, representing more than one-third of the Board, will ensure that the decisions of the Board are made after due consideration of independent and impartial opinions.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Mr. Iu, Mr. Luk and Mr. Tsui are the directors of Blackpaper BVI which had no operation as at the Latest Practicable Date and serves exclusively as the investment vehicle for holding their interest in our Company.

Save as disclosed under this paragraph, none of our Directors or senior management serves any executive or management role in Blackpaper BVI, Rewind Records or any of other close associates of our Controlling Shareholders.

Each of our Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the relevant interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transaction(s) and shall not be counted in the quorum.

Our Group has an independent senior management team that executes the business decisions of our Group independently and our Directors are satisfied that the senior management team is able to perform their roles in our Company independently.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Share Offer.

### **Financial independence**

Our Group has our financial system and our own financing personnel which are independent from our Controlling Shareholders and makes financial decisions according to our Group's own business needs. Our Directors confirmed that, as at the Latest Practicable Date, none of the Controlling Shareholders or their respective close associates had provided any loans, guarantees or pledges to our Group. Our Directors also confirmed that, as at the Latest Practicable Date, our Group did not provide any loans, guarantees or pledges to our Controlling Shareholders or their respective close associates. As at the Latest Practicable Date, our Group was at a net cash position.

In view of our Group's internal resources and the estimated net proceeds from the Listing, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders and/or their respective close associates. Our Directors are of the view that our Group is capable of obtaining financing from independent third parties, if necessary, without reliance on our Controlling Shareholders, and accordingly is able to operate financially independently from our Controlling Shareholders after the Listing.

In the circumstances, our Directors believe that our Group is capable of carrying on our business without financial reliance on our Controlling Shareholders.

### **Operational independence**

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities for daily operations of our Group. For further details, please refer to the paragraph headed "Business – Our operating team and key personnel" of this prospectus.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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While it was reported by the media that the creative inputs from our Controlling Shareholders are widely regarded as the reason which enabled our Group to distinguish ourselves from competitors and achieve significant growth rapidly in a competitive market, we believe that such report might not accurately reflect the extent of our Controlling Shareholders' involvement in our Group due to the following reasons:-

- (i) At the early stage of our Groups' development (i.e. prior to the beginning of the Track Record Period), our Controlling Shareholders were actively involved in the operation of our Group.
- (ii) We believe that our Controlling Shareholders successfully created the digital media and print media platforms which have captured the attention of the young generation groups.
- (iii) As our business evolved, we recruited and expanded our teams to cater for the operation of our print media and digital media. This is evidenced by the fact that the number of our full-time staff members increased from six as at 31 March 2013 to 29 as at 31 March 2015 and 90 as at the Latest Practicable Date.
- (iv) Our creative inputs do not rely only on our Controlling Shareholders, but rather a group of staff which comprises our design and production team and editorial and publication team.
- (v) We believe our sustainability can be achieved through our continuous recruitment of talents in the age group of 20 to 37 who are also our target audience and readers.
- (vi) As evidenced by the fact that our Group can receive more than 238 job applications on average each month in 2017, we believe that our Group can continue to attract talents to assist in providing creative inputs.

Our Group has not shared any operational resources, such as office premises, sales and marketing and general administrative resources with our Controlling Shareholders or their close associates. As at the Latest Practicable Date, Mr. Luk and Mr. Tsui provided personal guarantees for our Group's leases of the four premises which were used as our studio, warehouse and/or office. These personal guarantees are expected to be released upon Listing. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

We are independent from our Controlling Shareholders and their close associates as we do not share operational capabilities with any of them, and we have independent access to suppliers and customers, as well as an independent management team to handle our day-to-day operations. We have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders and their close associates.

Our Directors confirmed that none of our Controlling Shareholders, our Directors and their respective close associates have any relationship with the top five customers and the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Although we entered into certain connected transactions for our Company which will continue after Listing, such transactions have been entered into and will continue to be entered into on normal commercial terms and in the ordinary course of business of our Company. The details of such connected transactions that will continue after Listing are set out in the section headed “Connected transactions” in this prospectus.

Based on the above, our Directors consider that our Group’s business operation does not rely on our Controlling Shareholders and our Group can operate independently.

### CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders will enter into the Deed of Non-competition in favour of our Group in anticipation of the Listing, and they confirmed that they are aware of their legal obligations under the Deed of Non-competition, being that they are prohibited from taking up any business opportunity in their personal capacity that potentially competes with the business activities of our Group, unless such business opportunity(ies) are declined by our Group.

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of our Shareholders:

- (a) the Articles provide that a Director shall not be counted in the quorum or vote on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless in certain circumstances as expressly stated in the Articles;
- (b) our audit committee will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders;
- (c) our Company will obtain (i) an annual written confirmation in respect of our Controlling Shareholders’ compliance with the terms of the Deed of Non-competition, (ii) consent (from each of our Controlling Shareholders) to refer to the said confirmation in our annual reports, and (iii) all information as may reasonably be requested by us and/or our independent non-executive Directors for our review and enforcement of the Deed of Non-competition;
- (d) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (e) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company; and
- (f) our Company will appoint Ever-Long Securities Company Limited as our compliance adviser upon Listing which shall provide our Company with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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In situations where our Group's business interest conflicts with that of the Excluded Businesses and all executive Directors are required to abstain from voting and none of our independent non-executive Directors has experience or industry knowledge relevant to such situations, a representative (the "**Adviser**") from our angel investor, Top Plus, being a subsidiary of One Media, has agreed to act as the adviser to our independent non-executive Directors if so requested and be tasked with providing them with advice and relevant industry knowledge in order to assist them in the decision-making process. A brief background of the Adviser is as follows: Mr. Lam has been the chief executive officer and an executive Director of One Media which principally engages in media business in the Greater China Region, including but not limited to magazine publishing and digital media business, and has been in charge of overseeing all the operations of One Media and its subsidiaries (the "**One Media Group**"), since April 2011. He is also the editorial director of the One Media Group and is responsible for managing editorial matters of all publications. Mr. Lam is also the head of finance and a member of the Hong Kong executive committee of Media Chinese. He has extensive experience in corporate development, media operations, mergers and acquisitions and corporate governance. Mr. Lam was a director of Blackpaper, General Manager, TV Most Broadcasts, French Rotational and Number Eighteen. In case Mr. Lam is unable to provide timely advice, our independent non-executive Directors may leverage on Mr. Lam's industry network to engage an independent external consultant as referred by him for obtaining the relevant competent advice.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders.

Given (a) that the Excluded Businesses are all business activities conducted by our Controlling Shareholders in the public domain (being creation of texts to be published, participation in public events and performances and posting of advertising newsfeeds on public fan pages), and (b) our Controlling Shareholders' receipt of agency services from our Group as provided in the agency agreements entered into between our Controlling Shareholders and our Group on 6 March 2018 in relation to their posting of advertising newsfeeds on the Personal Fan Pages on social media platforms, it is unlikely that our Controlling Shareholders will be able to privately take up any business opportunities in their personal capacity without the Board's knowledge of the same and to the extent that our Group's business will be detrimentally affected. Our independent non-executive Directors will hence be able to effectively evaluate the compliance with the Deed of Non-competition by our Controlling Shareholders and, if necessary, take appropriate actions. In light of the aforesaid, our Directors believe that our corporate governance measures, including those set out above, are sufficient to reduce the risk of potential competition and ensure that business opportunities provided to our Controlling Shareholders or engagements undertaken by them in their respective personal capacity will not compete with or otherwise detrimentally affect our Group's business.

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## CONNECTED TRANSACTIONS

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### OVERVIEW

Prior to the Listing, our Group has engaged our executive Directors for provision of authorship services in the ordinary and usual course of our business and on normal commercial terms. It is expected that our Group will continue to engage our executive Directors for the provision of such authorship services after the Listing. In addition, each of our executive Directors will enter into an agency agreement with our Group for receiving agency services from us for any posting of advertising newsfeeds on their respective personal fan pages on third party social media platforms in their personal capacities after the Listing.

Our executive Directors will, upon the Listing, become connected persons of our Company, such provision of authorship services and agency services will thus constitute continuing connected transactions under the Listing Rules. Details of the continuing connected transactions of the Company following the Listing are set out below.

### FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions of our Group set out below constitute fully exempt continuing connected transactions.

#### Writing books that are published by our Group

During the Track Record Period, Mr. Iu, Mr. Luk and Mr. Tsui wrote books which were published by our Group (the “**Authorship Services**”). In consideration of their provision of the Authorship Services, our Group generally paid each of Mr. Iu, Mr. Luk and Mr. Tsui royalties at a rate of 12% of the published retail price of each sold book individually, or collectively as co-authors. For books co-authored with other writers, the royalties paid at a rate of 12% are shared among the co-authors equally.

The provision of the Authorship Services by our executive Directors to our Group is in the ordinary and usual course of business of our Group and on normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

#### *Historical figures*

The historical amounts of royalties paid by our Group to each of Mr. Iu, Mr. Luk and Mr. Tsui for the Authorship Services for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 are set forth below.

	For the year ended 31 March			For the eight months ended 30 November
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Iu	31	14	3	1
Mr. Luk	27	10	2	–
Mr. Tsui	138	152	258	74
<b>Total</b>	<b>196</b>	<b>176</b>	<b>263</b>	<b>75</b>

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## CONNECTED TRANSACTIONS

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On 6 March 2018, our Group entered into a separate written agreement (the “**Authorship Services Agreement(s)**”) with each of Mr. Iu, Mr. Luk and Mr. Tsui, pursuant to which each of Mr. Iu, Mr. Luk and Mr. Tsui, upon request from our Group, provides the Authorship Services to us, from time to time and on normal commercial terms that are comparable to those adopted by other writers who are engaged by our Group and at rates for royalties no less favourable to our Group than the rates offered to other authors who are Independent Third Parties. The Authorship Services Agreements are for a term commencing on the Listing Date and ending on 31 March 2020.

### *Annual caps*

Mr. Iu, Mr. Luk and Mr. Tsui, as authors, were paid royalties at a rate of 12% of the published retail price of each book sold. Despite the unpredictability of the sales of books, based on the historical amounts of royalties paid, our Company estimates that the annual amounts of royalties payable by our Group to each of Mr. Iu, Mr. Luk and Mr. Tsui for the indicated years are as follows.

	For the year ending 31 March		
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
<b>Mr. Iu</b>	50	50	50
<b>Mr. Luk</b>	50	50	50
<b>Mr. Tsui</b>	400	500	700

In determining the above annual caps, our Directors took into account the historical amounts of royalties paid to each of Mr. Iu, Mr. Luk and Mr. Tsui. For Mr. Iu and Mr. Luk, given the decreasing trend in the royalties that they received during the Track Record Period, we arrived at the above annual caps based on the maximum annual total amount of royalties paid to each of them among the three years ended 31 March 2017. For Mr. Tsui, we determined the annual caps with reference to the historical growth in the amount of royalties paid by our Group to Mr. Tsui during the three years ended 31 March 2017.

### *Implications under the Listing Rules*

As all the applicable percentage ratios in respect of the royalties payable under the Authorship Services Agreements to each of Mr. Iu, Mr. Luk and Mr. Tsui are less than 5% and the total annual considerations are less than HK\$3.0 million, the transactions contemplated thereunder constitute de minimus continuing connected transactions which are fully exempt from independent Shareholders' approval, annual review and all disclosure requirements set out in Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### Agency services for posting of advertising newsfeeds on our Controlling Shareholders' fan pages on social medial platforms in their personal capacities

During the Track Record Period, due to Mr. Tsui's industry reputation and his fan base on his personal fan page on the social media platform ("**Personal Fan Page**"). Such fan page has been considered as an advertising channel among brand owners and advertisers, and accordingly, he received advertising fees that are determined on a case-by-case basis for posting advertising newsfeeds relating to third parties' services and/or products on his own fan page. The table below sets forth the advertising fees that our executive Directors received from third parties outside our Group for posting of advertising newsfeeds for each of the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017.

	For the year ended 31 March			For the eight months ended 30 November
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Mr. Iu	–	–	–	–
Mr. Luk	–	–	–	–
Mr. Tsui	–	193	2,001	1,380
<b>Total</b>	<b>–</b>	<b>193</b>	<b>2,001</b>	<b>1,380</b>

We have demonstrated the business delineation of Mr. Tsui's posting of advertising newsfeeds on his Personal Fan Page from our Group's business as set forth under the section headed "Relationship with our Controlling Shareholders" in this prospectus. To avoid any misconception on potential competition between Mr. Tsui's posting of news feeds and our Group's business which may harm the reputation and image of our Group and to ensure better customer management, each of our executive Directors entered into an agency agreement with our Group (the "**Agency Agreement(s)**") on 6 March 2018, pursuant to which, we act as the sole and exclusive agency and the primary channel for our executive Directors to negotiate with customers with respect to their personal opportunities on receiving advertising fees by way of posting advertising newsfeeds on their personal fan pages on social media platforms (the "**Agency Services**"). For the avoidance of doubt, such personal fan pages under the Agency Services include any existing personal fan pages managed by our executive Directors and any personal fan pages on any of the third party social media platforms to be set up by our executive Directors in their personal capacity. However, our Group will not be in the position to create or produce any advertisements or content to be posted on their personal fan pages, nor will our Group utilise our resources or place any effort in managing the personal fan pages for or on behalf of our executive Directors. In providing the Agency Services, our Group is entitled to an agency fee (the "**Agency Fee(s)**") at a pre-agreed percentage, being 50%, of the advertising fee to be received by our executive Directors on posting the advertising newsfeeds from third parties. The Agency Agreements will be of a term commencing on the Listing Date and ending on 31 March 2020 (the "**Term**") and cannot be terminated unilaterally by our executive Directors. Our Directors are of the view that the Agency Agreements are on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

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## CONNECTED TRANSACTIONS

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### *Historical figures*

Historically, our Group did not provide any Agency Services to nor receive any Agency Fee from our executive Directors during the Track Record Period.

### *Annual caps*

Our Company estimates that the annual amounts of the Agency Fees payable by our executive Directors to our Group for the indicated years, being 50% of the advertising fees to be received by our executive Directors on posting the advertising newsfeeds from third parties pursuant to the Agency Agreements, are as follows.

	For the year ending 31 March		
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Mr. Iu	–	–	–
Mr. Luk	–	–	–
Mr. Tsui	1,124	1,221	1,326

Since Mr. Iu and Mr. Luk were not engaged to post advertising newsfeeds on their personal fan pages on social media platforms during the Track Record Period, it is impracticable to estimate the advertising fees that each of them may receive from third parties for providing such service during the Term. Therefore, the annual amounts of Agency Fees payable by Mr. Iu and Mr. Luk to our Group for the years as indicated above are set at nil.

Mr. Tsui was paid advertising fees by third parties for posting of advertising newsfeeds on his Personal Fan Page. In determining the above annual caps, our Directors took into account (i) the maximum annual total amount of advertising fee received by Mr. Tsui during the Track Record Period (the “**Maximum Annual Total**”), being the annualised amount of advertising fee estimated to be received by Mr. Tsui for the year ending 31 March 2018 in the amount of approximately HK\$2.1 million which is calculated based on the actual amount of advertising fee received by Mr. Tsui in the eight months ended 30 November 2017, (ii) the 50% agency rate of the advertising fee to be received by our Group under the Agency Services, and (iii) the expected growth of the online advertising industry in Hong Kong. Given that the advertising fees received by Mr. Tsui from posting of advertising newsfeeds outside our Group increased by ten times from the year ended 31 March 2016 to the year ended 31 March 2017, from approximately HK\$0.2 million to HK\$2.0 million, such significant historical growth rate shall not be the best basis for determining the annual caps. The above annual caps for Mr. Tsui were calculated through multiplying 50% of the Maximum Annual Total by an estimated annual growth rate of 8.6%, which corresponded with the anticipated growth rate for the online advertising industry in Hong Kong from 2017 to 2019 according to the Ipsos Report.

### *Implications under the Listing Rules*

As all the applicable percentage ratios in respect of the Agency Fees payable under the Agency Agreements to each of Mr. Iu, Mr. Luk and Mr. Tsui are less than 5% and the total annual considerations are less than HK\$3.0 million, the transactions contemplated thereunder constitute de minimus continuing connected transactions which are fully exempt from independent Shareholders’ approval, annual review and all disclosure requirements set out in Chapter 14A of the Listing Rules.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors:

Name	Age	Present Position(s)	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
<i>Executive Directors</i>						
Mr. Iu Kar Ho (姚家豪)	35	Chairman and executive Director	8 June 2017	30 November 2010	Overall strategic management and our business operations	Nil
Mr. Luk Ka Chun (陸家俊)	34	Executive Director	8 June 2017	30 November 2010	Overall strategic management and our financial operations	Nil
Mr. Tsui Ka Ho (徐家豪)	37	Executive Director	8 June 2017	30 November 2010	Overall strategic management and our business development	Nil
<i>Independent non-executive Directors</i>						
Mr. Leung Wai Man (梁偉文)	56	Independent non-executive Director	2 March 2018	2 March 2018	Supervising and providing independent judgement to our Board	Nil
Mr. Ho Kwong Yu (何光宇)	32	Independent non-executive Director	2 March 2018	2 March 2018	Supervising and providing independent judgement to our Board	Nil
Mr. Leung Ting Yuk (梁廷育)	43	Independent non-executive Director	2 March 2018	2 March 2018	Supervising and providing independent judgement to our Board	Nil

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## DIRECTORS AND SENIOR MANAGEMENT

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### Executive Directors

**Mr. Iu Kar Ho** (姚家豪) (also known as Bu (阿Bu)), aged 35, was appointed as our Director on 8 June 2017 and was redesignated as an executive Director and appointed as the chairman of the Board on 22 June 2017. He is one of the founders of our Group and one of our Controlling Shareholders. Mr. Iu is primarily responsible for overall strategic management and our business operations.

Mr. Iu has over ten years of experience in the media and entertainment industry. He joined Commercial Radio Hong Kong which principally engages in radio broadcasting as a programme assistant since July 2006 and was mainly responsible for assisting in managing the operation of radio programmes. Mr. Iu was subsequently promoted to the position of disc jockey at Commercial Radio Hong Kong in April 2011 and hosted various radio programmes. Mr. Iu left Commercial Radio Hong Kong in May 2013 and has been working in Blackpaper as one of its directors on a full time basis since June 2013.

Mr. Iu graduated from the College of International Education of the Hong Kong Baptist University with an associate degree of arts in September 2006.

**Mr. Luk Ka Chun** (陸家俊) (also known as Chan Keung (陳強)), aged 34, was appointed as our Director on 8 June 2017 and was redesignated as an executive Director on 22 June 2017. He is one of the founders of our Group and one of our Controlling Shareholders. Mr. Luk is primarily responsible for overall strategic management and our financial operations.

Mr. Luk has over ten years of experience in the media and entertainment industry. He joined Commercial Radio Hong Kong in May 2005 as a programme assistant and was mainly responsible for assisting in managing the operation of radio programmes. He started hosting radio programmes since July 2005 and was promoted to the position of disc jockey at Commercial Radio Hong Kong in April 2011. Mr. Luk left Commercial Radio Hong Kong in July 2011 and has been working in Blackpaper Limited as one of its directors on a full time basis since August 2011. Mr. Luk has also been a columnist for newspapers since May 2010.

Mr. Luk obtained a degree of Bachelor of Science (Honours) in Environmental Science and Management from the City University of Hong Kong in November 2005.

**Mr. Tsui Ka Ho** (徐家豪) (also known as Lam Yat Hey (林日曦)), aged 37, was appointed as our Director on 8 June 2017 and was redesignated an executive Director on 22 June 2017. He is one of the founders of our Group and one of our Controlling Shareholders. Mr. Tsui is primarily responsible for the overall strategic management and our business development.

Mr. Tsui has over ten years of experience in the media and entertainment industry. He worked in Commercial Radio Hong Kong and Commercial Radio Productions Limited (“**Commercial Radio Productions**”) and held various positions namely multimedia production operator from July 2003 to August 2004, web administration executive from September 2004 to November 2005, creative assistant from December 2005 to September 2007 and creative

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## DIRECTORS AND SENIOR MANAGEMENT

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director from October 2007 to May 2011. He was then mainly responsible for handling the production and operation of creative multimedia works. Mr. Tsui left Commercial Radio Hong Kong and Commercial Radio Productions Limited in May 2011 and has been working in Blackpaper as one of its directors on a full time basis since June 2011. Mr. Tsui has also been a lyricist since 2007. He wrote columns for local newspapers, magazines and websites from 2011 to 2016. He has also authored various books since June 2012.

Mr. Tsui completed the Hong Kong Certificate of Education Examination in August 1998.

### **Independent non-executive Directors**

**Mr. Leung Wai Man (梁偉文)** (also known as Linxi (林夕)), aged 56, was appointed as our independent non-executive Director on 2 March 2018.

Mr. Leung has over 30 years of experience in the media and entertainment industry and is an accomplished lyricist, writer and columnist. He has been writing lyrics for Cantonese and Mandarin pop songs which are sung by, among others, Hong Kong, PRC and Taiwan singers. Mr. Leung received the Best Lyricist Award at the Ultimate Song Chart Awards Presentation from 1995 to 2003 and from 2006 to 2009. He was awarded the Golden Needle Award at the Top Ten Chinese Gold Songs Award Concert in 2008.

Mr. Leung graduated from the University of Hong Kong with a Bachelor of Arts degree in November 1984.

**Mr. Ho Kwong Yu (何光宇)**, aged 32, was appointed as our independent non-executive Director on 2 March 2018. Mr. Ho is also the chairman of the audit committee.

Mr. Ho has over ten years of audit, accounting and financial management experience. He worked at Deloitte Touche Tohmatsu as an associate from January 2008 to September 2009, as a senior from October 2009 to September 2012 and as a manager from October 2012 to February 2015. From February 2015 to May 2015, he worked as an internal audit manager in Cosco Shipping International (Hong Kong) Co., Ltd. (Stock Code: 517) (formerly known as Cosco International Holdings Limited). From May 2015 to April 2017, he was the chief financial officer and company secretary of Creative China Holdings Limited (Stock Code: 8368) where he was responsible for accounting, financial management and company secretarial matters. Since April 2017, he has joined Space Group Holdings Limited (Stock Code: 2448) as the company secretary and chief financial officer where he is mainly responsible for overall management of financial matters and company secretarial matters.

Mr. Ho graduated from the Chinese University of Hong Kong with a Bachelor of Business Administration degree in professional accountancy in December 2008. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2011.

**Mr. Leung Ting Yuk (梁廷育)**, aged 43, was appointed as our independent non-executive Director on 2 March 2018. Mr. Leung is also the chairman of the nomination committee and the remuneration committee.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Leung has over 17 years of audit, accounting, financial management and corporate finance experience. He worked at Grant Thornton as auditor-in-charge from November 2000 to January 2008. From January 2008 to May 2010, he worked as the chief financial officer of China Kangda Food Company Limited (Stock Code: 834) (Stock Code for Singapore Exchange Securities Trading Limited: P74) where he was mainly responsible for the preparation of financial statements as well as the review and development of effective financial policies and control procedures. From May 2010 to October 2012, he worked as the chief financial officer of China 33 Media Group Limited (Stock Code: 8087). From October 2012 to February 2015, he worked as the chief financial officer and company secretary of ZMFY Automobile Glass Services Limited (Stock Code: 8135) where he was mainly responsible for financial management, cost accounting and treasury. From September 2015 to October 2016, he worked as the chief financial officer of ASD International Holdings Limited. Since March 2017, he has joined S&R Group Limited as the chief financial officer.

He has been an independent non-executive director of Yanchang Petroleum International Limited (Stock Code: 346) since September 2009 and of Interactive Entertainment China Cultural Technology Investments Limited (Stock Code: 8081) since May 2016.

Mr. Leung graduated from the University of Wollongong, Australia with a bachelor of commerce degree in accounting in September 2000. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2008 and CPA Australia since November 2000.

### **Disclosure required under Rule 13.51(2) of the Listing Rules**

Save as disclosed under this section, each of our Directors confirms with respect to him that: (a) he has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (c) he did not have any relationship with any other Directors, senior management, substantial shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; (d) he does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the section headed “Statutory and general information – C. Further information about our Directors and Substantial Shareholders – 1. Director” in Appendix IV to this prospectus; (e) he does not have any interest in any business which competes or is likely to compete, directly or indirectly, with us, which is discloseable under the Listing Rules; and (f) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no additional information relating to our Directors or senior management that was required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matter with respect to their appointments that needed to be brought to the attention of our Shareholders as at the Latest Practicable Date.

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## DIRECTORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

The following table sets forth the information concerning our senior management:

Name	Age	Position	Date of appointment of current position	Date of joining our Group	Roles and responsibilities	Relationship with Directors and other senior management
Mr. Yuen Kam Shing (元金盛)	32	Art director	1 February 2012	1 February 2012	Overall supervision of the art work of the Group	Nil
Ms. Leung Hoi Yui (梁海蕊)	35	Senior sales manager	1 April 2015	1 April 2015	Overall sales management of the Group	Nil
Mr. Chui Cheung Lam (徐璋霖)	29	Assistant creative director	1 May 2017	14 January 2013	Overall supervision of the creative work of the Group	Nil

**Mr. Yuen Kam Shing (元金盛)**, aged 32, is the art director of our Group, and is responsible for the overall supervision of the art work of the Group. He and our art managers jointly lead our design team which is mainly responsible for creating and producing the artworks in our creative productions across different business segments. For details of the functions of the team, please refer to the section headed “Business – Our operation teams and key personnel – Design and production team” in this prospectus.

Mr. Yuen has over ten years of experience in the artistic industry. He worked at the Skyhigh Department of Commercial Radio Productions Limited as the Project Executive from August 2007 to January 2012 and was responsible for graphic design. He then joined Blackpaper as the art director in February 2012 and has been responsible for the management of the design and production department.

Mr. Yuen was awarded a higher diploma in printing and computer imaging by the Hong Kong Vocational Training Council in July 2006. He completed a distant learning course and was awarded bachelor of arts with honours in visual communication (time-based media) by the Birmingham City University (formerly known as the University of Central England in Birmingham) in July 2007.

**Ms. Leung Hoi Yui (梁海蕊)**, aged 35, is the senior sales manager of our Group, and is responsible for the overall sales management of the Group. She leads our sales and marketing team to mainly engage in sales and pitching activities, customer liaison and management for the promotion of our business. For details of the functions of the team, please refer to the section headed “Business – Our operation teams and key personnel – Sales and marketing team” in this prospectus.

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## DIRECTORS AND SENIOR MANAGEMENT

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Ms. Leung has over ten years of experience in the sales and event planning industry. She started working at Senasia Publication Group Limited (“**Senasia**”) as a marketing executive in August 2006 and was mainly responsible for book marketing and events organisation. She was promoted to be an assistant marketing manager in Senasia in April 2008. Ms. Leung left Senasia in August 2008 and joined Wide Connection Limited (“**Wide Connection**”) where she served as a senior marketing executive from August 2008 to May 2009 and as an advertising executive from June 2009 to February 2010. Her major responsibilities at Wide Connection included events organisation and media sales. From October 2010 to September 2012, she worked in OMNIMEDIA HK LIMITED as an assistant account manager and was further promoted to be the account manager in October 2011. She then worked in One Media as a senior sales manager from October 2012 to March 2015. She joined our Group in April 2015 as a senior sales manager and has been responsible for overall sales management.

Ms. Leung was awarded a bachelor of arts degree in journalism and mass communication from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) in July 2006.

**Mr. Chui Cheung Lam (徐璋霖)**, aged 29, is the assistant creative director of our Group, and is responsible for the overall supervision of the creative work of our Group. He, together with our creative manager, jointly lead our production team, which is mainly responsible for creating and producing advertisements and/or advertorial to be distributed on the Digital Media Platforms. In addition, he, together with our digital manager, assistant digital manager and publishing manager, jointly lead our editorial and publication team, which is mainly responsible for continuously updating creative content on the Digital Media Platforms (excluding our contracted artistes’ fan pages on third party social media platforms), creating content for our TVMost online programmes and 100 Most Magazine and assisting in publishing work for our print media and digital media services. The production team meets regularly to conceptualise ideas for our creative content. In large-scale and/or key projects, our executive Directors will also participate in the discussions. For details of the functions of the team, please refer to the sections headed “Business – Our operation teams and key personnel – Design and production team” and “Business – Our operation teams and key personnel – Editorial and publication team” in this prospectus.

Mr. Chui has five years of experience in the creative media industry. He joined our Group in January 2013 as an editor and was mainly responsible for editing our 100 Most Magazine. He was promoted to be the assistant content manager in May 2014 and was mainly responsible for managing the editing of both 100 Most Magazine and Blackpaper Magazine. With the establishment of TVMost in May 2015, the focus of Mr. Chui’s work shifted to online content and advertisement production. He was promoted to be our content manager in May 2015 and further promoted to be our assistant creative director in May 2017.

Mr. Chui obtained a degree of bachelor of business administration with honours, with his major programme in integrated business administration, from the Chinese University of Hong Kong in December 2011.

None of our senior management described above has held directorships in any companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPANY SECRETARY

**Mr. Lo Tai On** (羅泰安), aged 63, was appointed as our company secretary on 10 July 2017. Mr. Lo is primarily responsible for overseeing the company secretarial matters of our Group.

Mr. Lo has over 25 years of experience in the field of company secretarial services. He is a director of Fair Wind Secretarial Services Limited, being a company that renders company secretarial services. He is also currently the company secretary of a number of companies listed on the Stock Exchange. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lo is not an employee of our Group, and Mr. Luk, our executive Director and authorised representative, who acts as the principal channel of communication between the Stock Exchange and our Company, will be the person whom Mr. Lo contacts for the purpose of Provision F.1.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

### BOARD COMMITTEES

#### **Audit Committee**

Our Company has established an audit committee on 2 March 2018 with written terms of reference in compliance with Rules 3.21 of the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising Mr. Ho Kwong Yu, Mr. Leung Ting Yuk and Mr. Leung Wai Man, of whom Mr. Ho Kwong Yu has been appointed as the chairman of the audit committee.

#### **Remuneration Committee**

Our Company has established a remuneration committee on 2 March 2018 with written terms of reference in compliance with Rules 3.25 of the Listing Rules. The remuneration committee comprises Mr. Ho Kwong Yu, Mr. Leung Ting Yuk and Mr. Leung Wai Man. Mr. Leung Ting Yuk is the chairman of the remuneration committee. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and to make recommendation to the Board on our Group's policy and structure for all remuneration of our Directors and senior management.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Nomination Committee

Our Company has established a nomination committee on 2 March 2018 with written terms of reference in compliance with the Corporate Governance Code in Appendix 14 to the Listing Rules. The nomination committee comprises Mr. Ho Kwong Yu, Mr. Leung Ting Yuk and Mr. Leung Wai Man. Mr. Leung Ting Yuk has been appointed as the chairman of the nomination committee. The nomination committee is mainly responsible for reviewing the structure, size, composition and diversity of the Board and make recommendations to the Board on the appointment of our Directors and the management of Board succession.

### COMPLIANCE OFFICER

Mr. Luk is the compliance officer of our Company. Please refer to the paragraph headed “Executive Directors” of this section for the biography of Mr. Luk.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, total remuneration (including salaries and employer’s contribution to pension scheme) paid by us to our executive Directors, namely Mr. Iu, Mr. Luk and Mr. Tsui, amounted to approximately HK\$1.6 million, HK\$2.5 million, HK\$3.9 million and HK\$2.6 million respectively. Other than that, no other fees, bonuses, allowances and benefits in kind were paid by us to our executive Directors during the Track Record Period.

The following table sets out the remuneration we paid to each of our executive Directors during the Track Record Period:

Annual remuneration paid to each of our executive Directors	Year ended 31 March			Eight months ended 30 November
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Iu	546	828	1,314	876
Mr. Luk	546	828	1,314	876
Mr. Tsui	546	828	1,314	876
<b>Total</b>	<b>1,638</b>	<b>2,484</b>	<b>3,942</b>	<b>2,628</b>

Our Company considers, and the Sponsor concurs, that the remuneration paid to our executive Directors during the Track Record Period was reasonable and on normal commercial terms on the bases that: (i) the amount of remuneration paid to our executive Directors was comparable to the remuneration of our comparable companies in the media market; and (ii) the historical yearly remuneration increment of our executive Directors increased significantly during the Track Record Period was to reflect the additional time and efforts that the executive

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## DIRECTORS AND SENIOR MANAGEMENT

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Directors were expected to devote to the Group and such increment was generally in line with the historical rapid growth of our Group's business scale. While we recorded increasing revenue over the Track Record Period, and the proportion of remuneration paid by us to our executive Directors during the Track Record Period remained generally stable at approximately 27.8%, 25.8%, 26.7% and 25.3% of our total operating expenses (being the total of selling and distribution expenses and administrative expenses but excluding the non-recurring listing expenses) respectively. Our Directors confirmed that the dividends paid to our executive Directors were not part of the remuneration package for them during the Track Record Period.

When determining our executive Directors' remuneration, the Board does not only consider the performance and involvement of such Directors, in particular, remuneration increment shall be on a similar level as the salary increment of our other employees to uphold the morale among our employees. Moreover, since our executive Directors are the founders of our Group and our Controlling Shareholders, our Company does not consider necessary to implement an attractive Directors' remuneration policy which is above market standards to retain our executive Directors. We will continue to take into account various factors, including factors set out above and the business needs of our Company from time to time, in determining Directors' remuneration in the future. Similar level of remuneration will be paid to our executive Directors should there be no material change in the business needs of our Company going forward.

On the bases that (i) our executive Directors' remuneration was reasonable and on normal commercial terms; (ii) it is expected that our executive Directors will be remunerated on the same basis and on a similar level should there be no material change in the business needs of our Company going forward; and (iii) the Accountant's Report contained in Appendix I to this prospectus provides a true and fair view of the financial information of our Group during the Track Record Period, our Directors are of the view, and the Sponsor concurs, that it is fair and reasonable for the investors to rely on the financial information of our Group during the Track Record Period as currently presented in the Accountant's Report to assess the remuneration of our executive Directors during the Track Record Period.

Further details of Directors' remuneration we paid during the Track Record Period are set out under the section headed "Financial information" and note 26 to the Accountant's Report contained in Appendix I to this prospectus.

Total remuneration (including wages and salaries, bonus, commissions and employer's contribution to pension scheme) paid to the five highest paid individuals of our Group, excluding our Directors, during the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 was approximately HK\$0.6 million, HK\$1.6 million, HK\$2.4 million and HK\$1.5 million respectively.

Under the arrangements currently in force, the aggregate remuneration and benefits in kind of our executive Directors and independent non-executive Directors payable (excluding any commission or discretionary bonus) in respect of the year ending 31 March 2018 are estimated to be approximately HK\$3.9 million and HK\$0.2 million, respectively.

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## **DIRECTORS AND SENIOR MANAGEMENT**

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We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017. Furthermore, none of our Directors waived any compensation for the same period.

Save as disclosed under this paragraph, no other payments have been paid or are payable in respect of the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 by us or any of our subsidiaries to our Directors.

### **REMUNERATION POLICY**

Our Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to their time commitment, the performance of our Group and those paid by media market players. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, their respective responsibilities and time commitment, the performance of our Group and level of remuneration and compensation paid by media market players.

### **SHARE OPTION SCHEME**

Our Group has conditionally adopted the Share Option Scheme. The principal terms of the scheme are summarised under the section headed “Appendix IV – D. Other Information – 1. Share Option Scheme” in this prospectus.

### **COMPLIANCE ADVISER**

We will appoint Ever-Long Securities Company Limited as our compliance adviser upon Listing in accordance with Rule 3A.19 of the Listing Rules to provide us with services including providing guidance and advice in connection with compliance with requirements under the Listing Rules. The term of appointment shall commence on the Listing Date and shall end on the publication date of our financial results for the first full financial year after the Listing. Our Company will pay to Ever-Long Securities Company Limited an agreed fee for its provision of services with the scope required under the Listing Rules.

Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and, if necessary, seek advice from the compliance adviser in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues or share repurchase;

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## DIRECTORS AND SENIOR MANAGEMENT

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- (iii) where we propose to use the net proceeds from the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry to our Company concerning unusual movements in the price and trading volume of our shares and/or any other matters.

### CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules after the Listing.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report, which will be included in our annual reports subsequent to the Listing.

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## SUBSTANTIAL SHAREHOLDERS

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So far as our Directors are aware, the following persons will, immediately following the completion of the Capitalisation Issue and completion of the Share Offer and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, have beneficial interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Nature of interest	Shares held as of the submission of the application proof of the prospectus of our Company		Shares held immediately following the Capitalisation Issue and completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme)	
		Number	Approximate percentage	Number <sup>(1)</sup>	Approximate percentage
Blackpaper BVI <sup>(2)</sup>	Beneficial owner	54	90%	182,250,000 (L)	67.5%
Mr. Iu <sup>(3)</sup>	Interest in a controlled corporation	54	90%	182,250,000 (L)	67.5%
Mr. Luk <sup>(3)</sup>	Interest in a controlled corporation	54	90%	182,250,000 (L)	67.5%
Mr. Tsui <sup>(3)</sup>	Interest in a controlled corporation	54	90%	182,250,000 (L)	67.5%
Mrs. Tsui <sup>(4)</sup>	Interest of spouse	54	90%	182,250,000 (L)	67.5%
Tronix Investment <sup>(5)</sup>	Beneficial owner	6	10%	20,250,000 (L)	7.5%
Loka Investment Limited <sup>(5)</sup>	Interest of controlled corporation	6	10%	20,250,000 (L)	7.5%
One Media Holdings Limited <sup>(6)</sup>	Interest of controlled corporation	6	10%	20,250,000 (L)	7.5%
One Media <sup>(7)</sup>	Interest of controlled corporation	6	10%	20,250,000 (L)	7.5%
Comwell Investment Limited <sup>(8)</sup>	Interest of controlled corporation	6	10%	20,250,000 (L)	7.5%
Media Chinese International Holdings Limited <sup>(9)</sup>	Interest of controlled corporation	6	10%	20,250,000 (L)	7.5%
Media Chinese <sup>(10,11)</sup>	Interest of controlled corporation	6	10%	20,250,000 (L)	7.5%

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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

- (1) The letter “L” denotes the entity/person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- (2) Our Company will be directly owned as to 67.5% by Blackpaper BVI immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).
- (3) Blackpaper BVI is beneficially owned equally among Mr. Iu, Mr. Luk and Mr. Tsui. Each of Mr. Iu, Mr. Luk and Mr. Tsui is deemed to be interested in the same number of Shares that are held by Blackpaper BVI under the SFO. Mr. Iu, Mr. Luk and Mr. Tsui are regarded as a group of Controlling Shareholders to exercise their voting rights in our Company through Blackpaper BVI and they together will be interested in a total of 67.5% of the issued share capital of our Company upon the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).
- (4) Mrs. Tsui is the spouse of Mr. Tsui and is therefore deemed to be interested in the same number of Shares in which Mr. Tsui is interested under the SFO.
- (5) Tronix Investment is beneficially owned as to 100% by Loka Investment Limited. Loka Investment Limited is deemed to be interested in the Shares that are held by Tronix Investment under the SFO.
- (6) Loka Investment Limited is beneficially owned as to 100% by One Media Holdings Limited. One Media Holdings Limited is deemed to be interested in the Shares that are held by Loka Investment Limited as referred to in Note (5) above under the SFO.
- (7) One Media Holdings Limited is beneficially owned as to 100% by One Media. One Media is deemed to be interested in the Shares that are held by One Media Holdings Limited as referred to in Note (6) above under the SFO.
- (8) One Media is beneficially owned as to 73.01% by Comwell Investment Limited. Comwell Investment Limited is deemed to be interested in the Shares that are held by One Media as referred to in Note (7) above under the SFO.
- (9) Comwell Investment Limited is beneficially owned as to 100% by Media Chinese International Holdings Limited. Media Chinese International Holdings Limited is deemed to be interested in the Shares that are held by Comwell Investment Limited as referred to in Note (8) above under the SFO.
- (10) Media Chinese International Holdings Limited is beneficially owned as to 100% by Media Chinese. Media Chinese is deemed to be interested in the Shares that are held by Media Chinese International Holdings Limited as referred to in Note (9) above under the SFO.
- (11) Media Chinese is beneficially owned as to 50.62% by Tan Sri Datuk Sir Tiong Hiew King by virtue of his personal interests, family interests and interests in various corporate entities.

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## **SUBSTANTIAL SHAREHOLDERS**

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Save as disclosed under this section and in the section headed “Statutory and general information – C. Further information about our Directors and substantial shareholders” in Appendix IV to this prospectus, our Directors are not aware of any person/entities who will, immediately following the Capitalisation Issue and completion of the Share Offer and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

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## SHARE CAPITAL

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### SHARE CAPITAL

The authorised share capital of our Company is as follows:

HK\$

*Authorised share capital*

380,000,000 Shares of par value HK\$0.01 each HK\$3,800,000

Without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, our Company's issued share capital immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be as follows:

HK\$

60	Shares in issue immediately prior to the Share Offer	0.6
67,500,000	Shares to be issued under the Share Offer	675,000.0
<u>202,499,940</u>	Shares to be issued under the Capitalisation Issue	<u>2,024,999.4</u>
<u>270,000,000</u>	<b>Total</b>	<u>2,700,000.0</u>

### ASSUMPTION

The above table assumes that the Share Offer has become unconditional. It takes into no account of any Shares (i) which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; or (ii) which may be allotted and repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

### RANKING

The Offer Shares are ordinary Shares in the share capital of our Company and will rank *pari passu* in all respects with all the Shares currently in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, a minimum prescribed percentage of 25% of the issued Shares of our Company must at all times be held by the public (as defined in the Listing Rules).

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## SHARE CAPITAL

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### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Our Company has only one class of Shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by Shareholders' ordinary resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by Shareholders' special resolution. For more details, please see the section headed "Summary of the constitution of our Company and Cayman Companies Law – Summary of the constitution of the Company – 2. Articles of Association – 2.5 Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and the Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see the section headed "Summary of the constitution of our Company and Cayman Companies Law – Summary of the constitution of the Company – 2. Articles of Association – 2.4 Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

### **GENERAL MANDATE TO ISSUE SHARES**

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares, securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible securities and to make or grant offers, agreements or options which might require such Shares, securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible securities to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

- (1) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (2) the nominal amount of the share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

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## SHARE CAPITAL

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This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders.

This mandate to issue Shares will remain in effect until:

- (a) the conclusion of our next annual general meeting; or
- (b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and general information – A. Further information about our Company and our subsidiaries – 3. Resolutions in writing of all our Shareholders passed on 2 March 2018” in Appendix IV to this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and general information – A. Further information about our Company and our subsidiaries – 7. Repurchase of Shares by our Company” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until:

- (i) at the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

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## SHARE CAPITAL

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- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and general information – A. Further information about our Company and our subsidiaries – 3. Resolutions in writing of all our Shareholders passed on 2 March 2018” in Appendix IV to this prospectus.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the section headed “Statutory and general information – D. Other information – 1. Share Option Scheme” in Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our consolidated financial information, including the notes thereto, included in the Group's Accountant's Report set out in Appendix I to this prospectus. Our Group's consolidated financial information has been prepared in accordance with HKFRS. You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in the section headed "Risk factors" in this prospectus.*

### OVERVIEW

We provide integrated advertising and media services to customers which can be categorised into (i) digital media services under which we provide a one-stop advertising solution package to our customers, with different types of advertisements including video, online banner, newsfeed and advertorial, through various distribution channels including the Digital Media Platforms (which include (a) our respective fan pages of "100 Most" (100毛), "TVMost" (毛記電視) and our contracted artistes on the third party social media platforms and (b) "TVMost" website and mobile application operated by our Group), third parties' TV channels, Internet, and physical advertising spaces; (ii) print media services which include (a) advertorial production and advertisement placement services in our 100 Most Magazine and (b) sales of publications, including 100 Most Magazine and our book publications (during the Track Record Period, we also generated revenue from sales of Blackpaper Magazine while the publication of which ceased on 1 January 2017); and (iii) other media services which include events organisation and artistes management. All our revenue during the Track Record Period was generated in Hong Kong.

Apart from distribution on our own media platforms, we have also published creative content mainly on our respective fan pages of "100 Most" and "TVMost" on one of the most popular third party social media platforms since March 2013 and May 2015, respectively, to maintain our competitiveness in the rapidly evolving advertising and media industry. As at the Latest Practicable Date, we received more than 1.1 million and 0.7 million "likes" on our respective fan pages of "100 Most" and "TVMost" on such social media platform.

For the years ended 31 March 2015, 2016 and 2017, our revenue was approximately HK\$24.0 million, HK\$54.8 million and HK\$95.2 million, representing a year-on-year growth of approximately 128.6% and 73.7% in the years ended 31 March 2016 and 2017, respectively. For the eight months ended 30 November 2017, our revenue was approximately HK\$55.3 million, representing a decrease of approximately 27.3% from the revenue of approximately

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## FINANCIAL INFORMATION

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HK\$76.1 million for the corresponding period of last year. Our net profit was approximately HK\$7.8 million, HK\$22.4 million and HK\$36.3 million for the years ended 31 March 2015, 2016 and 2017, representing a year-on-year growth of approximately 186.5% and 61.9% in the years ended 31 March 2016 and 2017, respectively. For the eight months ended 30 November 2017, our net profit was approximately HK\$5.2 million, compared with the net profit of approximately HK\$32.7 million for the eight months ended 30 November 2016.

### **BASIS OF PRESENTATION AND PREPARATION**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 8 June 2017. Through a corporate reorganisation as further explained in section headed “History, development and reorganisation – Reorganisation” of this prospectus, our Company became the holding company of the subsidiaries now comprising our Group on 23 June 2017, our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Financial information of our Group has been prepared as if our Company had been the holding company of our Group throughout the Track Record Period, on the basis set out in notes 1.3 and 2.1 to the Accountant’s Report set out in Appendix I to this prospectus.

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) under the historical cost convention.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS**

Our results of operations and financial conditions have been and will continue to be affected by a number of factors, including those set out below and in the section headed “Risk factors” in this prospectus:

#### **Our ability to keep or expand our customers base**

Our business model is in general project-based, where we charge customers a fixed fee for our integrated advertising and media services during the Track Record Period. As such, our revenue is generally non-recurring in nature. In addition, we generally do not enter into long term agreements with most of our customers. Our success depends on our ability to maintain our relationships with existing customers and to develop new opportunities with potential customers. As our contracts with our customers are generally entered into on a project basis, our revenue may fluctuate depending on the number of projects we are able to secure and we may have limited visibility as to our future revenue streams. If we fail to retain our existing customers or increase advertisers’ utilisation of our services, or to provide innovative advertising and media services and pricing structures to attract new customers, the demand for our services will not grow and may even decrease, which could materially and adversely affect our ability to maintain or increase our revenue and profitability.

#### **General conditions in Hong Kong**

During the Track Record Period and up to the Latest Practicable Date, our business operation was solely based in Hong Kong and we do not have a diversified geographical

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## FINANCIAL INFORMATION

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coverage in terms of operations. Our business is therefore susceptible to any incidents or factors which affects the stability of the economy, social and political conditions in Hong Kong. Any adverse incidents, such as economic recession, extensive social unrest, strike, riot, civil disturbance or disobedience, may cast uncertainty over the suitability of the business environment in Hong Kong. Given the relatively small geographical size of Hong Kong, any of such incidents may have a widespread effect on our business operations. As a result, our business, results of operations and financial conditions may be materially and adversely affected.

### **Competition**

We face competition from other media service players. The market of media services is a highly-fragmented one. Our Group competes primarily with our competitors or potential competitors for quality service. The media service industry in Hong Kong is rapidly evolving. In particular, according to the Ipsos Report, the revenue of the online advertising market in Hong Kong is expected to grow at a CAGR of approximately 7.4% from 2017 to 2021. Competition can be increasingly intensive and is expected to increase significantly in the future. Increased competition may result in price reductions for advertising and media services, reduced margins and loss of our market share.

For the years ended 31 March 2015, 2016 and 2017, we experienced significant growth in our revenue and profitability. Our revenue increased by approximately 128.6% and 73.7% from approximately HK\$24.0 million for the year ended 31 March 2015 to approximately HK\$54.8 million for the year ended 31 March 2016 and to approximately HK\$95.2 million for the year ended 31 March 2017. For the eight months ended 30 November 2017, our revenue decreased by approximately 27.3% from approximately HK\$76.1 million to approximately HK\$55.3 million for the corresponding period of last year. The higher revenue we derived in the eight months ended 30 November 2016 was principally attributable to the revenue from our events organisation which contributed approximately HK\$10.3 million whereas such revenue was nil in the eight months ended 30 November 2017, as well as the better performance of our print media services segment which contributed approximately HK\$8.1 million of revenue for the eight months ended 30 November 2016 compared with the segment revenue of approximately HK\$4.6 million for the eight months ended 30 November 2017 as a matter of the general downturn of the print media industry in Hong Kong. With the low entry barriers on the online advertising market and the increased competition according to the Ipsos Report, our revenue growth and profit margin may not be indicative in the future due to expected intensifying competition in the market.

### **Declining demand for our print media services**

For the years ended 31 March 2015, 2016 and 2017, our revenue generated from our print media services accounted for approximately 99.3%, 41.4% and 10.3% of our revenue which represented a significant declining trend as a result of decreasing demand for our printed products, respectively. For the eight months ended 30 November 2016 and 2017, our print media services segment contributed approximately 10.7% and 8.3% of our revenue, respectively. Following the emergence of social media and the increasing number of consumers using various mobile devices such as smartphones and tablets since 2012, the growth of online advertising industry in Hong Kong is expected to continue in the future. The print media industry has steadily declined driven by the decreased preference of print media. If the demand for print media services continues to decrease, it may have a material adverse effect on our business, financial condition and results of operations.

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## FINANCIAL INFORMATION

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### Production costs of digital media services and staff costs

Production costs of digital media services and total staff costs are the major components of our costs and have direct impact on our profitability. Since our profitability heavily depends on the cost control on our projects, our cost of production may directly affect our results of operations.

During the Track Record Period, given the business expansion of our Group, we have recruited additional number of employees and improved their remuneration package. A portion of our total staff costs, being sales commission paid to our sales and marketing team included in selling and distribution expenses, are variables to our sales. Our total staff costs (including remunerations of our Directors and senior management) increased from approximately HK\$4.6 million for the year ended 31 March 2015 to approximately HK\$13.3 million for the year ended 31 March 2016 and further increased to approximately HK\$21.1 million for the year ended 31 March 2017, accounting for approximately 19.3%, 24.3% and 22.2% of our revenue, respectively. For the eight months ended 30 November 2016 and 2017, the amount of our total staff costs remained generally stable at approximately HK\$14.3 million and HK\$14.7 million, which represented approximately 18.8% and 26.5% of our revenue, respectively. Thus, our ability to control costs, especially on production costs of digital media services and total staff costs, will continue to materially impact our operating results.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our production costs of digital media services and total staff costs on our profit before tax during the Track Record Period.

	<b>Production costs of digital media services</b>		
	<b>+/-5%</b>	<b>+/-10%</b>	<b>+/-15%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Increase/decrease in profit before tax</b>			
For the year ended 31 March 2015	N/A	N/A	N/A
For the year ended 31 March 2016	-/+205	-/+409	-/+614
For the year ended 31 March 2017	-/+962	-/+1,923	-/+2,885
For the eight months ended 30 November 2017	-/+866	-/+1,733	-/+2,599
	<b>Total staff costs</b>		
	<b>+/-5%</b>	<b>+/-10%</b>	<b>+/-15%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Increase/decrease in profit before tax</b>			
For the year ended 31 March 2015	-/+231	-/+462	-/+693
For the year ended 31 March 2016	-/+666	-/+1,331	-/+1,997
For the year ended 31 March 2017	-/+1,057	-/+2,115	-/+3,172
For the eight months ended 30 November 2017	-/+733	-/+1,466	-/+2,199

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## FINANCIAL INFORMATION

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**Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.**

### **SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ESTIMATES AND JUDGEMENT**

We have identified certain accounting policies that are significant to the preparation of our Group's financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of critical accounting policies; (ii) the judgements and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates on (i) impairment of receivables; (ii) income taxes; and (iii) allocation of revenue for multiple-element transactions with customers, we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor its underlying assumptions in the past. The methods and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set out in notes 2 and 4 of the Accountant's Report contained in Appendix I to this prospectus.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and rebates.

Our Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our Group's activities, as described below. Our Group estimates its return based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Our Group also offers certain arrangements whereby a customer can purchase a mixture of multiple service types with a single agreement. Where such multiple-element arrangements exist, the amount of revenue allocated to each element is based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

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## FINANCIAL INFORMATION

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### *Digital media services*

Digital media services income is recognised when the services are rendered or on the date when the relevant production is published or delivered.

Digital media services income is generated from the provision of our services under the one-stop advertising solution package specified in the contracts, under which our Group offers comprehensive and all-our-customers need advertising and media services, including design of slogan, planning of marketing strategy and direction, conceptualisation and formulation of advertising ideas, design and production of advertisements and artworks, overall production management and coordination, artistes liaison and media distribution.

Our revenue derived from digital media services is recognised when the advertisements are produced and distributed in accordance with the pre-agreed schedules and digital media channels set out in our contracts with customers.

For contracts under which customers are also entitled to use the advertisements produced by our Group on digital media channels other than those channels specified in the contracts, we also allocate a portion of the contract revenue to this service element according to the relative fair value for the right to use the advertisements in such contracts. Revenue generated under such type of contracts is recognised (i) upon distribution of the advertisements in accordance with the pre-agreed schedules and digital media channels by us, and (ii) at the time when such advertisements are delivered to the customers.

### *Print media services*

#### *(i) Advertorial production and advertisement placement services*

Advertising income, net of trade discounts, is recognised when the periodicals are published.

#### *(ii) Magazines and book publications*

Revenue from sales of periodicals and books, net of trade discounts and returns, is recognised on the transfer of risks and reward of ownership, which generally coincides with the date of delivery.

During the Track Record Period, the majority of our magazines and book publications were sold to our distributors. Further details of our revenue recognition in relation to such sales are set forth under the section headed “Business – Integrated advertising and media services – (B) Print media services – Publication of our magazines and book publications” in this prospectus.

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## FINANCIAL INFORMATION

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### *Other media services*

#### *(i) Artistes management*

Performance income is recognised when the services are rendered.

Our artistes fulfil their responsibilities by participating in relevant events/activities or when our artistes complete their roles of casting/appearance in relevant advertisements and revenue is recognised upon the completion of these responsibilities.

#### *(ii) Events organisation*

Revenue from events organisation is recognised when the services are rendered which coincides with the date of the relevant events.

By hosting the events, we mainly generated revenue from:

- (a) advertising income from brand owners or advertising agencies of brand owners for providing sponsorship package, including brand name logo credit in event promotional materials and other advertising and media services requested by our customers. We fulfil our responsibilities and recognise revenue when the relevant event promotional materials are distributed or advertisements and performance are broadcasted during the events. We also received revenue from advertising airtime and sponsorship for granting right and licence to a third party to broadcast our Anniversary Ceremony on live on a designated free third party TV channel; and
- (b) sales of tickets of the events. Income from sales of ticket of the events is recognised upon the completion of the relevant events.

### *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

### **Inventories**

Inventories are stated at the lower of cost or net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sales.

For further details about our Group's business segments, please refer to the paragraph headed "Description of selected components of our results of operations income" under this section.

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### RESULTS OF OPERATIONS OF OUR GROUP

The following table summarises our consolidated statements of comprehensive income for the Track Record Period, which is extracted from and should be read in conjunction with the Accountant's Report set out in Appendix I to this prospectus.

	<b>For the year ended</b>			<b>For the eight months</b>	
	<b>31 March</b>			<b>ended 30 November</b>	
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Revenue	23,986	54,825	95,228	76,125	55,316
Cost of sales	<u>(8,823)</u>	<u>(18,493)</u>	<u>(36,958)</u>	<u>(26,085)</u>	<u>(27,338)</u>
<b>Gross profit</b>	<b>15,163</b>	<b>36,332</b>	<b>58,270</b>	<b>50,040</b>	<b>27,978</b>
Other income	24	22	24	12	11
Other loss	–	–	(36)	(36)	(4)
Selling and distribution expenses	(3,231)	(4,444)	(6,832)	(4,903)	(3,801)
Administrative expenses	<u>(2,666)</u>	<u>(5,195)</u>	<u>(7,949)</u>	<u>(5,875)</u>	<u>(15,774)</u>
	9,290	26,715	43,477	39,238	8,410
Finance income	<u>32</u>	<u>14</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Profit before income tax</b>	<b>9,322</b>	<b>26,729</b>	<b>43,477</b>	<b>39,238</b>	<b>8,410</b>
Income tax expenses	<u>(1,504)</u>	<u>(4,329)</u>	<u>(7,214)</u>	<u>(6,510)</u>	<u>(3,243)</u>
<b>Profit and total comprehensive income attributable to owners of our Company for the year/period</b>	<b><u>7,818</u></b>	<b><u>22,400</u></b>	<b><u>36,263</u></b>	<b><u>32,728</u></b>	<b><u>5,167</u></b>

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### DESCRIPTION OF SELECTED COMPONENTS OF OUR RESULTS OF OPERATIONS INCOME

#### Revenue

During the Track Record Period, we derived revenue from (i) digital media services; (ii) print media services; and (iii) other media services which include events organisation and artistes management. The table below sets out our customers and sources of revenue under each business segment during the Track Record Period:

Business segments	Customers	Sources of revenue
Digital media services	Advertising agencies of brand owners, brand owners and others	Provision of one-stop advertising solution package under which our deliverables to customers are distributed on the Digital Media Platforms, third parties' TV channels, Internet and physical advertising spaces subject to the needs of our customers
Print media services	<ul style="list-style-type: none"> <li>(i) Advertising agencies of brand owners, brand owners and others</li> <li>(ii) Magazine Distributor and Book Distributor (for sales of publications to distributors), and readers (for sales of publications to customers in book fairs and events)</li> </ul>	<ul style="list-style-type: none"> <li>(i) Advertorial production and advertisement placement services</li> <li>(ii) Sales of publications including books published by our Group, Blackpaper Magazine (publication ceased on 1 January 2017) and 100 Most Magazine</li> </ul>
Other media services	<ul style="list-style-type: none"> <li>(i) For events organisation: brand owners, advertising agencies of brand owners and others and public audience</li> <li>(ii) For artistes management: brand owners and advertising agencies of brand owners and others</li> </ul>	<ul style="list-style-type: none"> <li>(i) Advertising income derived from (a) providing sponsorship package including brand name logo credit in event promotional materials and other advertising and media services requested by our customers; (b) providing our stage performance in the events; (c) sales of tickets of the events organised by our Group; (d) granting right and licence to a third party to broadcast our Anniversary Ceremony on live on a designated free TV channel; and (e) sales of our brand products and publications to the audience</li> <li>(ii) Income from our contracted artistes appearing in advertisements we produced for our customers and events we organised as well as being engaged to carry on activities of third party customers in return from our management services rendered to our contracted artistes</li> </ul>

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The table below sets forth a breakdown of our revenue and their percentage of our revenue by business segments for the periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Digital media services<sup>(1)</sup></b>	–	–	28,402	51.8	74,478	78.2	57,677	75.7	50,550	91.3
<b>Print media services</b>										
– Advertorial production and advertisement placement	11,118	46.4	13,662	24.9	3,733	3.9	2,972	3.9	694	1.3
– Magazines and book publications	12,691	52.9	9,039	16.5	6,093	6.4	5,141	6.8	3,871	7.0
	<u>23,809</u>	<u>99.3</u>	<u>22,701</u>	<u>41.4</u>	<u>9,826</u>	<u>10.3</u>	<u>8,113</u>	<u>10.7</u>	<u>4,565</u>	<u>8.3</u>
<b>Other media services</b>										
– Events organisation	177	0.7	3,371	6.2	10,459	11.0	10,254	13.5	–	–
– Artistes management <sup>(2)</sup>	–	–	351	0.6	465	0.5	81	0.1	201	0.4
	<u>177</u>	<u>0.7</u>	<u>3,722</u>	<u>6.8</u>	<u>10,924</u>	<u>11.5</u>	<u>10,335</u>	<u>13.6</u>	<u>201</u>	<u>0.4</u>
<b>Total</b>	<b><u>23,986</u></b>	<b><u>100.0</u></b>	<b><u>54,825</u></b>	<b><u>100.0</u></b>	<b><u>95,228</u></b>	<b><u>100.0</u></b>	<b><u>76,125</u></b>	<b><u>100.0</u></b>	<b><u>55,316</u></b>	<b><u>100.0</u></b>

*Notes:*

- (1) During the Track Record Period, the revenue of digital media services was generated from the provision of our one-stop advertising solution package to our customers. We formally launched our digital media services in the year ended 31 March 2016 to further diversify the coverage of our services from print to digital media. During the year ended 31 March 2015, we were requested by our customers to produce and distribute creative content in digital format including advertising videos and newsfeeds as ancillary service supplemental to their service contracts for print media services. Such trial production of videos and newsfeeds offered our Group an opportunity to tap into the digital media services segment in the subsequent financial year. We formally established TV Most Broadcasts and commenced operating our digital media services segment in the year ended 31 March 2016.
- (2) Amount is arrived net of the inter-segment transactions being the income related to our artistes appearing in advertisements we produced for our customers and events we organised in return from our management of nil, approximately HK\$0.6 million, HK\$2.6 million and HK\$0.9 million for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 respectively.

Our revenue recorded a significant increase from approximately HK\$24.0 million for the year ended 31 March 2015 to approximately HK\$54.8 million for the year ended 31 March 2016 and further increased to approximately HK\$95.2 million for the year ended 31 March 2017. Such increase was mainly attributable to the combined effect of (i) diversification of our services to the Digital Media Platforms in the year ended 31 March 2016 where our revenue under the digital media services segment recorded nil, approximately HK\$28.4 million and HK\$74.5 million during the years ended 31 March 2015, 2016 and 2017 respectively; and (ii) the revenue derived from the two events we organised in January and May 2016 where our

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events organisation contributed approximately HK\$3.4 million and HK\$10.5 million of revenue to our Group for the years ended 31 March 2016 and 2017 respectively. For the eight months ended 30 November 2016 and 2017, our revenue was approximately HK\$76.1 million and HK\$55.3 million, respectively, representing a decrease by approximately 27.3%. The higher revenue for the eight months ended 30 November 2016 was principally attributable to the revenue from the aforesaid event we organised in May 2016 whereas revenue under our events organisation was nil for the eight months ended 30 November 2017, and the better performance of our print media services segment for the eight months ended 30 November 2016. With respect to our print media services, we recorded slightly decrease in revenue from approximately HK\$23.8 million for the year ended 31 March 2015 to approximately HK\$22.7 million for the year ended 31 March 2016 and further decreased to approximately HK\$9.8 million for the year ended 31 March 2017. For the eight months ended 30 November 2017, revenue derived from our print media services was approximately HK\$4.6 million, compared with the segment revenue of approximately HK\$8.1 million in the corresponding period of the previous year. Such decrease in the segment revenue of our print media services during the Track Record Period was primarily resulted from the general trend of digitalisation where consumers' preference has changed from print toward digital media as a whole in Hong Kong, thereby reducing the general demand for print publications.

### *(i) Digital media services segment*

Digital media services represent provision of one-stop advertising solution package under which the deliverables to our customers are distributed on the Digital Media Platforms and other platforms, such as third parties' TV channels, Internet and physical advertising spaces, subject to the needs of our customers. We diversified our services and formally tapped into digital media services segment since the year ended 31 March 2016. Accordingly, we recorded revenue from our digital media services of approximately HK\$28.4 million and HK\$74.5 million for the years ended 31 March 2016 and 2017 respectively, representing a year-on-year growth of around 1.6 times. For the eight months ended 30 November 2016 and 2017, revenue derived from our digital media services remained relatively stable at approximately HK\$57.7 million and HK\$50.6 million respectively. As a percentage of our revenue, our revenue generated from provision of digital media services accounted for nil, approximately 51.8% and 78.2% for the years ended 31 March 2015, 2016 and 2017, respectively. For the eight months ended 30 November 2016 and 2017, the segment revenue accounted for approximately 75.7% and 91.3% of our revenue respectively. Our Group had been allocating resources to our digital media services to support the segment operations and development during the Track Record Period.

### *(ii) Print media services segment*

Our print media services segment comprises (a) advertorial production and advertisement placement services and (b) sales of publications including sales of our 100 Most Magazine and books published by us. During the Track Record Period, we also sold Blackpaper Magazine while the publications of which ceased on 1 January 2017. During the years ended 31 March 2015, 2016 and 2017, revenue derived from our print media services segment was approximately HK\$23.8 million, HK\$22.7 million and HK\$9.8 million, representing approximately 99.3%, 41.4% and 10.3% of our revenue, respectively. For the eight months

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ended 30 November 2016 and 2017, the segment revenue was approximately HK\$8.1 million and HK\$4.6 million, representing approximately 10.7% and 8.3% of our revenue, respectively.

*(a) Advertorial production and advertisement placement*

For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, our revenue generated from advertorial production and advertisement placement services, which were printed on our magazines, amounted to approximately HK\$11.1 million, HK\$13.7 million, HK\$3.7 million and HK\$0.7 million, respectively. Advertorial represents a different promotion channel from traditional print advertisement which is in the form and style of an editorial or journalistic article but it serves to accomplish the goals of an advertisement by promoting certain products and services.

*(b) Sales of magazines and book publications*

Our revenue from sales of magazines and our book publications is arrived at net of trade discounts and returns. Such revenue is recognised on the transfer of risks and reward of ownership, which generally coincides with the date of delivery.

For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, our revenue generated from sales of magazines and book publications amounted to approximately HK\$12.7 million, HK\$9.0 million, HK\$6.1 million and HK\$3.9 million, respectively. We published two magazines, namely 100 Most Magazine and Blackpaper Magazine. Our 100 Most Magazine was issued weekly on every Thursday during the Track Record Period. Our Blackpaper Magazine was issued on every first and fifteenth day monthly in 2014. From 1 January 2015 to 31 December 2015, our Blackpaper Magazine was issued on a weekly basis. From 1 January 2016 onwards, Blackpaper Magazine was issued on a monthly basis until the cessation of publication on 1 January 2017. Apart from our magazines, the number of book titles published by our Group for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 was 30, 33, 28 and 18, respectively.

*(iii) Other media services*

For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, revenue under our other media services segment was generated from our events organisation and artistes management, which aggregately contributed approximately 0.7%, 6.8%, 11.5% and 0.4% of our revenue for the same periods respectively. We derived revenue under our events organisation mainly from the advertising income for displaying customers' advertisements and promoting the brands in events and sales of tickets of the events organised by us. In March 2015, we organised a book publishing event for a book author to promote the sales of our book publications. In January 2016 and May 2016, our Group organised two events in Hong Kong, namely, the Awards Ceremony and the Anniversary Ceremony, respectively. Accordingly, revenue derived from our events organisation was approximately HK\$177,000, HK\$3.4 million and HK\$10.5 million, respectively. For the eight months ended 30 November 2017, we did not generate any revenue from events organisation and the segment revenue of approximately HK\$0.2 million during such period was all derived from our artistes management business.

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Since the year ended 31 March 2016, our Group commenced artistes management business, where we derived income from our contracted artistes appearing in advertisements we produced for our customers and events we organised as well as other activities organised by third party customers. Amount is arrived net of the inter-segment transactions being the income related to our artistes appearing in advertisements we produced for our customers and events we organised in return from our management of nil, approximately HK\$0.6 million, HK\$2.6 million and HK\$0.9 million for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, respectively. Accordingly, we recorded net revenue related to artistes performance income under such segment of nil, approximately HK\$351,000, HK\$465,000 and HK\$201,000 respectively during the Track Record Period.

During the Track Record Period, all of our activities were carried out in Hong Kong and all revenue was derived in Hong Kong.

### *Revenue by type of customers*

During the Track Record Period, the local and multinational brand owners and advertising agencies of brand owners were the major types of customers of our Group. Under our digital media and print media services segments, our advertising-related revenue, which represents our revenue derived from the provision of one-stop advertising solution package and advertorial production and placement services respectively, generated from such customers accounted for approximately HK\$11.1 million, HK\$42.1 million, HK\$78.2 million and HK\$51.2 million, representing approximately 46.4%, 76.7%, 82.1% and 92.6% of our revenue for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, respectively. The following table sets forth the breakdown of such advertising-related revenue by type of customers during the Track Record Period:

	For the year ended 31 March						For the eight months ended 30 November			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Advertising agencies	6,562	59.0	23,314	55.4	42,277	54.1	35,886	59.2	14,300	27.9
Brand owners and others	4,556	41.0	18,750	44.6	35,934	45.9	24,763	40.8	36,944	72.1
<b>Total</b>	<b>11,118</b>	<b>100.0</b>	<b>42,064</b>	<b>100.0</b>	<b>78,211</b>	<b>100.0</b>	<b>60,649</b>	<b>100.0</b>	<b>51,244</b>	<b>100.0</b>

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For the years ended 31 March 2015, 2016 and 2017, advertising agencies of brand owners remained as our major customer group whom contributed approximately 59.0%, 55.4% and 54.1% of our advertising-related revenue with respect to our digital media and print media services during the same periods respectively. Due to the customary nature in the advertising and media industries, some well-established brand owners have their designated advertising agencies to engage us for integrated advertising and media services. While during the same periods, the percentage of such advertising-related revenue generated from brand owners and others as direct customers recorded a slight increasing trend from approximately 41.0% for the year ended 31 March 2015 to approximately 45.9% for the year ended 31 March 2017, as a result of our increasing sales effort. For the eight months ended 30 November 2017, the percentage of our advertising-related revenue with respect to our digital media and print media services derived from brand owners and others as direct customers accounted for approximately 72.1%, compared with that of approximately 40.8% for the eight months ended 30 November 2016. During the Track Record Period, we have been placing efforts in building up and strengthening direct business relationship with brand owners. Our Directors believe that the increased revenue contribution from the brand owners and others as direct customers during the Track Record Period was principally as a result of our sales effort and the brand recognition established. Among which, such advertising-related revenue generated from repeated customers, who entered into more than one contract with us during the Track Record Period, amounted to approximately HK\$10.1 million, HK\$36.8 million, HK\$68.4 million and HK\$48.7 million, representing approximately 91.0%, 87.6%, 87.5% and 95.1% of total advertising-related revenue with respect to our digital media and print media services for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, respectively, which remained generally high portion.

Our revenue from sales of magazines and book publications was mainly derived from our Magazine Distributor and Book Distributor during the Track Record Period. Details of our sales arrangement to the distributors are set forth in the section headed “Business – Integrated advertising and media services – (B) Print media services – Publication of our magazines and book publication” in this prospectus.

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### Cost of sales

Our cost of sales comprise direct cost we incurred for our digital media services, print media services and other media services. Our cost of sales amounted to approximately HK\$8.8 million, HK\$18.5 million, HK\$37.0 million and HK\$27.3 million for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 respectively. The following table sets forth a breakdown of our cost of sales by nature under each business segment during the Track Record Period:

	For the year ended 31 March						For the eight months ended 30 November			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Digital media services</b>										
- Staff costs	-	-	3,172	17.2	7,403	20.0	4,168	16.0	5,633	20.6
- Production costs	-	-	4,091	22.1	19,233	52.0	14,087	54.0	17,327	63.4
	<u>-</u>	<u>-</u>	<u>7,263</u>	<u>39.3</u>	<u>26,636</u>	<u>72.0</u>	<u>18,255</u>	<u>70.0</u>	<u>22,960</u>	<u>84.0</u>
<b>Print media services</b>										
- Staff costs	2,389	27.1	3,081	16.7	2,659	7.2	1,811	6.9	1,604	5.8
- Printing cost	3,100	35.1	2,788	15.1	1,681	4.5	1,188	4.6	841	3.1
- Cost of inventories	1,421	16.1	1,658	9.0	1,134	3.1	927	3.6	896	3.3
- Inventory written-off	-	-	-	-	551	1.5	-	-	-	-
- Royalties	821	9.3	643	3.4	658	1.8	475	1.8	302	1.1
- Other production costs	950	10.8	1,748	9.4	1,022	2.8	837	3.2	634	2.3
	<u>8,681</u>	<u>98.4</u>	<u>9,918</u>	<u>53.6</u>	<u>7,705</u>	<u>20.9</u>	<u>5,238</u>	<u>20.1</u>	<u>4,277</u>	<u>15.6</u>
<b>Other media services</b>	142	1.6	1,312	7.1	2,617	7.1	2,592	9.9	101	0.4
<b>Total</b>	<u><b>8,823</b></u>	<u><b>100.0</b></u>	<u><b>18,493</b></u>	<u><b>100.0</b></u>	<u><b>36,958</b></u>	<u><b>100.0</b></u>	<u><b>26,085</b></u>	<u><b>100.0</b></u>	<u><b>27,338</b></u>	<u><b>100.0</b></u>

### *Digital media services*

Our cost of sales for digital media services mainly comprises (i) staff costs and (ii) production costs which represent primarily the costs incurred for provision of our one-stop advertising solution package. Examples of such production costs include fees paid to third party production houses, artistes, a social media platform for boosting the original newsfeeds on such platform, and costs for preparing production props. During the years ended 31 March 2015, 2016 and 2017, our cost of sales for digital media services amounted to nil, approximately HK\$7.3 million and HK\$26.6 million respectively. Such increase was in line

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with the increased revenue under digital media services for the same periods. For the eight months ended 30 November 2016 and 2017, our cost of sales for digital media services was approximately HK\$18.3 million and HK\$23.0 million, respectively.

### *Print media services*

Our cost of sales for print media services mainly comprises (i) staff costs; (ii) printing costs of our magazines; (iii) cost of inventories relating to our book publications; (iv) inventory written-off; (v) royalties to authors of book publications; and (vi) other production costs which mainly include picture fee and script fee. For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, our cost of sales for print media services amounted to approximately HK\$8.7 million, HK\$9.9 million, HK\$7.7 million and HK\$4.3 million, respectively.

### *Other media services*

Our cost of sales for other media services mainly comprises staff costs and other costs incurred during our organisation of events, mainly relating to our Awards Ceremony and our Anniversary Ceremony organised in January and May 2016, respectively. Our other media services segment also comprised costs related to artistes management services, under which we paid a portion of amounts that our contracted artistes were entitled to for their performance services rendered in the respective periods. For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, our cost of sales for other media services amounted to approximately HK\$0.1 million, HK\$1.3 million, HK\$2.6 million and HK\$0.1 million, respectively.

### **Gross profit and gross profit margin**

The following table sets forth a breakdown of gross profit and gross profit margin by business segment for the periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2015		2016		2017		2016		2017	
	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	
	profit	profit	profit	profit	profit	profit	profit	profit	profit	
	margin	margin	margin	margin	margin	margin	margin	margin	margin	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Digital media services	-	-	21,139	74.4	47,842	64.2	39,422	68.3	27,590	54.6
Print media services	15,128	63.5	12,783	56.3	2,121	21.6	2,875	35.4	288	6.3
Other media services	35	19.8	2,410	64.8	8,307	76.0	7,743	74.9	100	49.8
<b>Total</b>	<b>15,163</b>	<b>63.2</b>	<b>36,332</b>	<b>66.3</b>	<b>58,270</b>	<b>61.2</b>	<b>50,040</b>	<b>65.7</b>	<b>27,978</b>	<b>50.6</b>

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For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, our gross profit amounted to approximately HK\$15.2 million, HK\$36.3 million, HK\$58.3 million and HK\$28.0 million, respectively. The gross profit margin was approximately 63.2%, 66.3%, 61.2% and 50.6% for the same periods, respectively. Our service fees are generally charged at a fixed amount determined on a case-by-case basis and are set forth in the contracts between us and our customers. In formulating our service fees for an engagement, we take into consideration factors including (i) the advertising budgets of our customers; (ii) the costs for carrying out the project with reference to the estimated time to be spent and the scale of project, such as the number of employees to be involved in the project and our customers' requirements; (iii) the prevailing market prices for similar services offered in the market; (iv) the size, reputation and industry of the customers/advertisers involved; and (v) the potential future business opportunities with the customers/advertisers, and specific factors for each category of our integrated advertising and media services.

Throughout the three years ended 31 March 2017, our increased gross profit from approximately HK\$15.2 million for the year ended 31 March 2015 to approximately HK\$58.3 million for the year ended 31 March 2017 was generally in line with our increased revenue which was primarily driven by our diversification of services to digital media formally launched for the year ended 31 March 2016, the organisation of our two events in January and May 2016 respectively and the increasing sales effort we have placed throughout the respective periods. Our gross profit decreased from approximately HK\$50.0 million for the eight months ended 30 November 2016 to approximately HK\$28.0 million for the eight months ended 30 November 2017, principally as a matter of fact that no events were organised and thereby gross profit contributed by our events organisation for the eight months ended 30 November 2017 was nil, and that we recorded better result under our print media services and digital media services segments for the eight months ended 30 November 2016. During the three years ended 31 March 2017, we maintained relatively stable gross profit margins of approximately 63.2%, 66.3% and 61.2%, respectively. For the eight months ended 30 November 2017, our gross profit margin was approximately 50.6%.

### **Other income**

Our other income mainly represents disposal of wastage books under our publication business and others. Other income amounted to approximately HK\$24,000, HK\$22,000, HK\$24,000 and HK\$11,000 for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, respectively.

### **Other loss**

Our other loss represents loss on disposal of property, plant and equipment, which was mainly related to computers and office equipment, and amounted to approximately HK\$36,000 and HK\$4,000 for the year ended 31 March 2017 and the eight months ended 30 November 2017, respectively. No such loss was recorded by us for the years ended 31 March 2015 and 2016.

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### Selling and distribution expenses

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs	397	12.3	4,252	95.7	6,670	97.6	4,782	97.5	3,718	97.8
Advertising and promotion expenses	262	8.1	72	1.6	42	0.6	18	0.4	14	0.4
Agency and management fee	2,536	78.5	–	–	–	–	–	–	–	–
Others	36	1.1	120	2.7	120	1.8	103	2.1	69	1.8
<b>Total</b>	<b>3,231</b>	<b>100.0</b>	<b>4,444</b>	<b>100.0</b>	<b>6,832</b>	<b>100.0</b>	<b>4,903</b>	<b>100.0</b>	<b>3,801</b>	<b>100.0</b>

Our selling and distribution expenses primarily comprise staff costs, advertising and promotion expenses, agency and management fee and others, which aggregately amounted to approximately HK\$3.2 million, HK\$4.4 million, HK\$6.8 million and HK\$3.8 million for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 respectively. Staff costs relate to the employee benefit expenses, including sales commissions we paid to our staff who involved in our sales activities, of which details are set out under the section headed “Business – Sales and marketing – Sales and marketing team” in this prospectus. We also incurred advertising and promotion expenses in promoting our brands. Agency and management fee represented our fees paid to MPM, an Independent Third Party, which acted as the sales representative in relation to our advertising-related business. Such arrangement ceased since the commencement of the year ended 31 March 2016, and the transition of which took place when our Group established our own advertising sales capability of sourcing customers in the same period. Details of our related party transactions with MPM are set out in the paragraph headed “Transactions with related parties” in this section below. As a percentage of revenue, our selling and distribution expenses accounted for approximately 13.5%, 8.1%, 7.2% and 6.9% during the respective periods.

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### Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 March						For the eight months ended 30 November			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs	1,834	68.8	2,807	54.0	4,415	55.5	3,576	60.9	3,705	23.5
Accounting service fee	-	-	600	11.5	780	9.8	520	8.9	800	5.1
Rent and building management fees	214	8.0	442	8.5	603	7.6	377	6.4	496	3.1
Depreciation	173	6.5	437	8.4	575	7.2	369	6.3	392	2.5
Listing expenses	-	-	-	-	-	-	-	-	9,182	58.2
Agency and management fee	178	6.7	-	-	-	-	-	-	-	-
Others <sup>(Note)</sup>	267	10.0	909	17.6	1,576	19.9	1,033	17.5	1,199	7.6
<b>Total</b>	<b>2,666</b>	<b>100.0</b>	<b>5,195</b>	<b>100.0</b>	<b>7,949</b>	<b>100.0</b>	<b>5,875</b>	<b>100.0</b>	<b>15,774</b>	<b>100.0</b>

*Note:* Other administrative expenses comprise mainly travelling expenses, interest expenses and other general administrative expenses incurred by us.

Our administrative expenses primarily comprise staff costs, accounting service fee, rent and building management fees, depreciation, listing expenses, agency and management fee and others, which in aggregate amounted to approximately HK\$2.7 million, HK\$5.2 million, HK\$7.9 million and HK\$15.8 million for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, respectively. Staff costs, which were the employee benefit expenses including Directors' emoluments, represented the largest component of our administrative expenses during the Track Record Period. In determining the Directors' remuneration, we have taken into account the time commitment of our Directors, the performance of our Group and the directors' remuneration paid by media market players. Accordingly, the total remuneration paid by us to our executive Directors was approximately HK\$1.6 million, HK\$2.5 million, HK\$3.9 million and HK\$2.6 million, respectively during the Track Record Period. As a percentage of our total operating expenses (being the total of selling and distribution expenses and administrative expenses but excluding the non-recurring listing expenses), such remuneration paid accounted for approximately 27.8%, 25.8%, 26.7% and 25.3%, respectively during the Track Record Period which remained generally stable.

Accounting service fee and agency and management fee relate to the fees we incurred and paid to MPM, an Independent Third Party, which provided accounting services to us in the years ended 31 March 2016 and 2017 and the eight months ended 30 November 2017 and provided other administrative support to us in the year ended 31 March 2015, of which details are set out in the paragraph headed "Transactions with related parties" in this section below.

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Rent and building management fees relate to our leased office premises. Depreciation was mainly related to our computer equipment. For the eight months ended 30 November 2017, we incurred listing expenses of approximately HK\$9.2 million, which is non-recurring in nature, in connection with the preparation of the Listing. For the year ended 31 March 2017, we recorded an immaterial amount of bad debts relating to an independent customer of approximately HK\$150,000 which represented approximately 1.9% of our administrative expenses for the same period. Save for such one-off occasion of bad debts, we had no other bad debts written off during the Track Record Period. Accordingly, our administrative expenses accounted for approximately 11.1%, 9.5%, 8.3% and 28.5% of our revenue during the respective periods.

### **Finance income**

Finance income represented deposit bank interest income we received during the Track Record Period. For the years ended 31 March 2015 and 2016, our finance income amounted to approximately HK\$32,000 and HK\$14,000, respectively, while our finance income was nil for each of the year ended 31 March 2017 and the eight months ended 30 November 2017.

### **Profit before income tax**

During the Track Record Period, our profit before income tax was approximately HK\$9.3 million, HK\$26.7 million, HK\$43.5 million and HK\$8.4 million respectively. Our print media services segment recorded profit before income tax of approximately HK\$9.3 million and HK\$7.7 million for the years ended 31 March 2015 and 2016 respectively, whereas it experienced a downturn in segment results and recorded loss before income tax of approximately HK\$1.0 million and HK\$2.3 million for the year ended 31 March 2017 and the eight months ended 30 November 2017 respectively. Our digital media services segment recorded profit before income tax of nil, approximately HK\$16.6 million, HK\$36.2 million and HK\$19.8 million respectively for the Track Record Period. With respect to our other media services segment, we had profit before income tax of approximately HK\$39,000, HK\$2.4 million, HK\$8.3 million and HK\$0.1 million, respectively for the same periods.

### **Income tax expenses**

Our Group is subject to income tax on an individual legal entity basis on profits arising or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

- (i) Cayman Islands or BVI profits tax

Our Group has not been subject to any taxation in the Cayman Islands or the BVI.

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(ii) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the respective periods during the Track Record Period.

Our income tax expenses were approximately HK\$1.5 million, HK\$4.3 million, HK\$7.2 million and HK\$3.2 million for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 respectively. The effective tax rates for the years ended 31 March 2015, 2016 and 2017 was approximately 16.1%, 16.2% and 16.6% respectively. For the eight months ended 30 November 2017, we recorded an effective tax rate of approximately 38.6% principally resulted from the tax effect from expenses not deductible for tax purpose which significantly increased our income tax expenses in the relevant period. Save for the abovementioned, we were not subject to taxation in jurisdictions other than Hong Kong, nor fall into any preferential tax treatment or scheme or enjoy any tax benefit in Hong Kong during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and did not have any unresolved income tax issues or disputes with the relevant tax authorities.

### **Profit for the year/period and net profit margin**

For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, our net profit was approximately HK\$7.8 million, HK\$22.4 million, HK\$36.3 million and HK\$5.2 million respectively. During the same periods, our net profit margin was approximately 32.6%, 40.9%, 38.1% and 9.3%, respectively.

## **REVIEW OF HISTORICAL RESULTS OF OPERATIONS**

### **PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS**

#### *The eight months ended 30 November 2017 compared to the eight months ended 30 November 2016*

##### **Revenue**

Our revenue decreased by approximately HK\$20.8 million or 27.3% to approximately HK\$55.3 million for the eight months ended 30 November 2017 from approximately HK\$76.1 million for the eight months ended 30 November 2016. We recorded higher revenue in the eight months ended 30 November 2016, which was principally attributable to the revenue derived from our events organisation of approximately HK\$10.3 million in the said period whereas such revenue was nil in the eight months ended 30 November 2017, as well as the better performance of our print media services segment which contributed approximately HK\$8.1 million of revenue for the eight months ended 30 November 2016 compared with the segment revenue of approximately HK\$4.6 million for the eight months ended 30 November 2017 as a matter of the general downturn of the print media industry in Hong Kong.

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### *Digital media services*

For the eight months ended 30 November 2016 and 2017, revenue from our digital media services remained relatively stable at approximately HK\$57.7 million and HK\$50.6 million, respectively. As a percentage of our revenue, the digital media services segment contributed approximately 75.7% and 91.3% for the eight months ended 30 November 2016 and 2017 respectively, which remained as the main revenue stream of us. For the eight months ended 30 November 2017, our Group has continued placing effort in the digital media services segment to capture business opportunities brought by the digitalisation in the market. In addition, no events were organised and revenue from our events organisation was nil during such period, whereas the Anniversary Ceremony organised in May 2016 brought in approximately 13.5% of revenue to our Group in the eight months ended 30 November 2016. The aforementioned effects generally resulted in the higher revenue contribution of our digital media services segment in terms of revenue for the eight months ended 30 November 2017.

### *Print media services*

Our revenue from print media services decreased by approximately HK\$3.5 million from approximately HK\$8.1 million for the eight months ended 30 November 2016 to approximately HK\$4.6 million for the eight months ended 30 November 2017. Our Directors consider that our print media services segment had been affected by changing consumers' preference from print to digital media in general, which led to the decreased segment revenue of our print media services for the eight months ended 30 November 2017 primarily. Accordingly during such period, we recorded a decrease in sales of our publications by approximately 24.7% to approximately HK\$3.9 million from that of approximately HK\$5.1 million for the eight months ended 30 November 2016, or a decrease by approximately 55.4% in terms of sales volume in the eight months ended 30 November 2017. Along with the reduced sales of publications, revenue derived from our advertorial production and advertisement placement also decreased, from approximately HK\$3.0 million for the eight months ended 30 November 2016 to approximately HK\$0.7 million for the eight months ended 30 November 2017.

### *Other media services*

Our revenue from other media services decreased significantly from approximately HK\$10.3 million for the eight months ended 30 November 2016 to approximately HK\$0.2 million for the eight months ended 30 November 2017. Such decrease was principally as a matter of fact that we did not organise any event and thereby no revenue was derived from our events organisation business in the eight months ended 30 November 2017, whereas the Anniversary Ceremony we organised in May 2016 brought in approximately HK\$10.3 million of revenue to our Group in the eight months ended 30 November 2016. While our revenue from artistes management slightly increased by approximately HK\$120,000, recording revenue of approximately HK\$81,000 and HK\$201,000, respectively for the eight months ended 30 November 2016 and 2017.

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### *Advertising agencies, brand owners and others*

For the eight months ended 30 November 2016 and 2017, the local and multinational brand owners and advertising agencies of brand owners remained as the major types of our customers under our advertising-related business of digital media and print media services. Accordingly under our digital media services and print media services segments, the percentage of our advertising-related revenue derived from brand owners and others as direct customers accounted for approximately 72.1% for the eight months ended 30 November 2017, compared with that of approximately 40.8% in the eight months ended 30 November 2016. During the Track Record Period, we have been placing efforts in building up and strengthening direct business relationship with brand owners. Our Directors believe that the increased revenue contribution from the brand owners and others as direct customers during the Track Record Period was principally as a matter of our sales effort and the brand recognition established. For the eight months ended 30 November 2016, approximately 88.9% of our advertising-related revenue under the digital media and print media services were derived from repeated customers (who entered into more than one contract with us during the Track Record Period), while such percentage was approximately 95.1% for the eight months ended 30 November 2017 principally leveraging to our well-established business relationship with the customers.

### **Cost of sales**

Our cost of sales remained generally stable overall, which was approximately HK\$26.1 million and HK\$27.3 million for the eight months ended 30 November 2016 and 2017 respectively. The slightly increase by approximately HK\$1.3 million for the eight months ended 30 November 2017 was mainly due to the increased staff costs incurred for team expansion relating to our digital media services and increased segment production costs incurred by us, but then partially offset by the decreased cost of sales relating to our other media services as no events were organised during the relevant period as well as the decreased cost of sales relating to our print media services as a matter of the decreased segment sales and labour resource reallocation to control the segment staff costs.

### **Gross profit and gross profit margin**

Gross profit of our Group decreased by approximately HK\$22.1 million or 44.1% from approximately HK\$50.0 million for the eight months ended 30 November 2016 to approximately HK\$28.0 million for the eight months ended 30 November 2017. Our gross profit margin was approximately 50.6% for the eight months ended 30 November 2017, compared with the gross profit margin of approximately 65.7% for the eight months ended 30 November 2016.

For the eight months ended 30 November 2017, our gross profit margin under the digital media services segment was approximately 54.6%, compared to that of approximately 68.3% for the eight months ended 30 November 2016. Historically due to the customised nature of our digital media services, the services fee and thereby the gross profit margin of our projects

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varied and were principally subject to details of the services involved and customers' specifications (among others, the specified form and type of advertisements needed, the timeline, complexity and scale of each project, and other specific factors such as the choice of artistes as designated by the customers). The lower gross profit margin of our digital media services segment for the eight months ended 30 November 2017 was principally led by the increased cost of sales in delivering our digital media services, where we incurred (i) generally higher portion of production costs as customers and advertisers have been asking for services with increasing specifications; and (ii) increased staff costs incurred for team expansion to support delivering the digital media services.

Our gross profit margin from the print media services decreased from approximately 35.4% for the eight months ended 30 November 2016 to approximately 6.3% for the eight months ended 30 November 2017. The decrease was mainly due to the declined sales performance of our publications together with the reduced advertorial production and advertisement placement in our 100 Most Magazine for the eight months ended 30 November 2017, while the more copies of magazines and advertorial production and advertisement placement we sold in each issue could generally result in higher gross profit margin we derived from the print media services.

Our gross profit margin from the other media services decreased from approximately 74.9% for the eight months ended 30 November 2016 to approximately 49.8% for the eight months ended 30 November 2017. The higher segment gross profit margin for the eight months ended 30 November 2016 was mainly attributable to the event we organised which generated relatively higher gross profit margin in the same period.

### **Other income**

Our other income represented disposal of wastage books under our publication business, which remained relatively stable at approximately HK\$12,000 and HK\$11,000 for the eight months ended 30 November 2016 and 2017, respectively.

### **Selling and distribution expenses**

Our selling and distribution expenses slightly decreased by approximately HK\$1.1 million from approximately HK\$4.9 million for the eight months ended 30 November 2016 to approximately HK\$3.8 million for the eight months ended 30 November 2017. Such decrease was primarily due to the decrease in staff costs relating to our sales and marketing team by approximately HK\$1.1 million as a result of the decreased sales commissions paid by us which was generally in line with the reduced sales performance of our Group during such period.

### **Administrative expenses**

Our administrative expenses increased by approximately HK\$9.9 million from approximately HK\$5.9 million for the eight months ended 30 November 2016 to approximately HK\$15.8 million for the eight months ended 30 November 2017. Such increase was principally due to the non-recurring listing expenses of approximately HK\$9.2 million incurred by us in the eight months ended 30 November 2017 for the preparation of the Listing.

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### **Profit before income tax**

Our profit before income tax decreased by approximately HK\$30.8 million from approximately HK\$39.2 million for the eight months ended 30 November 2016 to approximately HK\$8.4 million for the eight months ended 30 November 2017. Such decrease was primarily due to (i) the decreased gross profit of approximately HK\$22.1 million due to the reasons illustrated under the paragraphs headed “Revenue” and “Gross profit and gross profit margin” above under this sub-section; and (ii) the increased administrative expenses, which primarily resulted from the non-recurring listing expenses of approximately HK\$9.2 million incurred for the preparation of the Listing for the eight months ended 30 November 2017. In terms of the segment results, among which, our print media services segment recorded loss before income tax of approximately HK\$2.3 million, mainly as a result from the significant reduce in advertorial production and advertisement placement procured by our customers along with the declined sales performance of our publications in the relevant period. As at 30 November 2017, our Directors had assessed the assets under our print media services segment and considered no impairment indication arisen. Details of the relevant assessment are set forth under the paragraph headed “Profit before income tax” under the sub-section headed “Year to year comparison of results of operations – The year ended 31 March 2017 compared to the year ended 31 March 2016 – Profit before income tax” below.

### **Income tax expenses**

Our income tax expenses decreased by approximately HK\$3.3 million or 50.2% from approximately HK\$6.5 million for the eight months ended 30 November 2016 to approximately HK\$3.2 million for the eight months ended 30 November 2017. The decrease was generally in line with our decreased revenue during the relevant period. For the eight months ended 30 November 2017, we recorded an effective tax rate of approximately 38.6%, compared to the rate of approximately 16.6% for the eight months ended 30 November 2016. The higher effective tax rate for the eight months ended 30 November 2017 was principally as a matter of the tax effect from our listing expenses incurred during the relevant period which was not deductible for tax purpose and thereby significantly increased our income tax expenses.

### **Profit for the period**

As a result of the foregoing, our profit for the period decreased by approximately HK\$27.6 million from approximately HK\$32.7 million for the eight months ended 30 November 2016 to approximately HK\$5.2 million for the eight months ended 30 November 2017. The decrease in net profit was mainly due to the decreased gross profit, as well as the non-recurring listing expenses incurred by us for the preparation of the Listing and the related tax effect from such listing expenses which was not deductible for tax purpose thereby increased our income tax expenses, as previously mentioned during the eight months ended 30 November 2017. Accordingly, our net profit margin for the eight months ended 30 November 2017 was approximately 9.3%, compared to that of approximately 43.0% for the eight months ended 30 November 2016.

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### YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

#### *The year ended 31 March 2017 compared to the year ended 31 March 2016*

##### **Revenue**

Our revenue increased by approximately HK\$40.4 million or 73.7% to approximately HK\$95.2 million for the year ended 31 March 2017 from approximately HK\$54.8 million for the year ended 31 March 2016, which was primarily attributable to increase in our revenue from digital media services and events organisation. The increase in revenue was partially offset by the decrease in revenue from print media services.

##### *Digital media services*

For the year ended 31 March 2017, our revenue from digital media services increased by approximately HK\$46.1 million or 162.2% as compared to that of the corresponding period of last year. The increase was mainly attributable to (i) our increasing sales effort as evidenced by the increased staff costs under the selling and distribution expenses by approximately 56.9% in the year ended 31 March 2017; (ii) our continuous effort placed in building our brands where we had increase in subscriber base quantified by the number of “likes” on the respective fan pages of our “100 Most” and “TVMost” on one of the most popular social media platforms from approximately 0.8 million and 0.4 million as at 31 March 2016 to approximately 1.1 million and 0.6 million as at 31 March 2017, respectively; (iii) the continuous shift of readers’ habit towards social media platforms in recent years as evidenced by the rise in number of Internet users and Internet penetration rate as well as market revenue generated in the online advertising industry according to the Ipsos Report; and (iv) increased market demand resulting from the digitalisation trend according to the Ipsos Report and higher preference on advertising through digital media among our customers.

##### *Print media services*

Our revenue from print media services decreased by approximately HK\$12.9 million or 56.7% from approximately HK\$22.7 million for the year ended 31 March 2016 to approximately HK\$9.8 million for the year ended 31 March 2017. The decrease was mainly due to the lower preference on print publications and the sluggish development of print media industry which was substituted by digital media in general. Accordingly, our revenue derived from the sales of our magazines and book publications decreased from approximately HK\$9.0 million to approximately HK\$6.1 million over the same period, principally resulted from the reduced sales volume of our publications by approximately 43.1% in the year ended 31 March 2017 as a matter of the trend of digitalisation aforementioned. Accompanied with the reduced volume of publications sold, our revenue generated under the advertorial production and advertising placement decreased from approximately HK\$13.7 million for the year ended 31 March 2016 to approximately HK\$3.7 million for the year ended 31 March 2017.

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### *Other media services*

Our revenue from other media services increased by approximately HK\$7.2 million or 193.5% from approximately HK\$3.7 million for the year ended 31 March 2016 to approximately HK\$10.9 million for the year ended 31 March 2017. Such increase was mainly contributed by our events organisation (where we launched our Anniversary Ceremony during the period) which generated approximately HK\$10.5 million of revenue to us comprising mainly the advertising income and sales of tickets of the event, following the success of our Awards Ceremony in the year ended 31 March 2016. We recorded higher revenue from our Anniversary Ceremony as we recorded higher income from advertising, sales of tickets and were entitled to share certain advertising profit with a TV service operator in Hong Kong whom we granted the operator the sole and exclusive right and licence to broadcast our Anniversary Ceremony on a designated free TV channel operated by it. While our revenue from artistes management remained relatively stable at approximately HK\$0.4 million and HK\$0.5 million for the years ended 31 March 2016 and 2017, respectively.

### *Advertising agencies, brand owners and others*

Under our print media services and digital media services segments, the portion of our advertising-related revenue generated from advertising agencies remained relatively stable at approximately 55.4% and 54.1% for the years ended 31 March 2016 and 2017, respectively. The remaining advertising-related revenue was derived from brand owners and others which remained generally stable at approximately 44.6% and 45.9% for the years ended 31 March 2016 and 2017, respectively. While the percentage of advertising-related revenue generated from repeated customers (who entered into more than one contract with us during the Track Record Period) also remained relatively stable at approximately 87.6% and 87.5% of our advertising-related revenue with respect to the digital media and print media services for the years ended 31 March 2016 and 2017, respectively.

### **Cost of sales**

Our cost of sales increased by approximately HK\$18.5 million or 99.8% to approximately HK\$37.0 million for the year ended 31 March 2017 from approximately HK\$18.5 million for the year ended 31 March 2016. Such increase was mainly due to increase in cost of sales under (i) our digital media services by approximately HK\$19.4 million primarily as a result of our increased production costs and related staff costs which were in line with the increased segment revenue and (ii) our other media services where we incurred increased production costs in relation to our Anniversary Ceremony organised for the year ended 31 March 2017. The increase was partially offset by the decrease in cost of sales under print media services as a result of decrease in printing costs and production costs, which was principally due to decrease in market demand for print publications including our 100 Most Magazine in general.

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### **Gross profit and gross profit margin**

As a result of the foregoing, our gross profit rose by approximately HK\$21.9 million or 60.4% from approximately HK\$36.3 million for the year ended 31 March 2016 to approximately HK\$58.3 million for the year ended 31 March 2017. Our gross profit margin slightly decreased from approximately 66.3% for the year ended 31 March 2016 to approximately 61.2% for the year ended 31 March 2017, which was mainly due to decrease in gross profit margins of our digital media services and print media services.

Our gross profit margin from digital media services decreased from approximately 74.4% for the year ended 31 March 2016 to approximately 64.2% for the year ended 31 March 2017. During the Track Record Period, service fees charged by us under such segment varied and were principally subject to, among others, the specified form and type of advertisements the customers requested, the timeline, complexity and scale of each project, and other specific factors such as the choice of artistes as designated by the customers. The customised nature of each of our projects gave rise to the variation of gross profit margin recorded by us for the years ended 31 March 2016 and 2017.

Our gross profit margin from the print media services decreased from approximately 56.3% for the year ended 31 March 2016 to approximately 21.6% for the year ended 31 March 2017. The decrease was mainly attributable to the combined effect of (i) decrease in revenue from advertorial production and advertisement placement by approximately HK\$9.9 million or 72.7% for the year ended 31 March 2017 which was in line with the decreasing sales of our 100 Most Magazine and (ii) the presence of segment staff costs, one of the major fixed cost factors associated with our publication business, represented approximately 34.5% of the cost of sales in relation to the print media services for the year ended 31 March 2017.

Our gross profit margin from the other media services increased from approximately 64.8% for the year ended 31 March 2016 to approximately 76.0% for the year ended 31 March 2017. The increase was mainly attributable to the increase in income from advertising, sales of tickets and the share revenue with a TV service operator of our Anniversary Ceremony as compared to that derived from our Awards Ceremony of the last financial year.

### **Other income**

Our other income, which mainly represented disposal of wastage books under our publication business, remained relatively stable at approximately HK\$22,000 and HK\$24,000 for the years ended 31 March 2016 and 2017 respectively.

### **Other loss**

We recorded other loss mainly represented loss on disposal of our computer equipment of approximately HK\$36,000 for the year ended 31 March 2017, while we did not record any other loss for the year ended 31 March 2016.

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### **Selling and distribution expenses**

Our selling and distribution expenses increased by approximately HK\$2.4 million or 53.7% to approximately HK\$6.8 million for the year ended 31 March 2017 from approximately HK\$4.4 million for the year ended 31 March 2016. The increase was primarily due to increase in staff costs related to our sales and marketing team by approximately HK\$2.4 million as a result of the increasing sales effort placed by them in expanding our digital media services segment and sourcing advertisements from customers for our event as evidenced by the increased sales commissions paid by our Group during the period.

### **Administrative expenses**

Our administrative expenses increased by approximately HK\$2.8 million or 53.0% to approximately HK\$7.9 million for the year ended 31 March 2017 from approximately HK\$5.2 million for the year ended 31 March 2016. The increase was primarily due to increase in our staff costs by approximately HK\$1.5 million and increase in our other administrative expenses from approximately HK\$0.9 million in the year ended 31 March 2016 to approximately HK\$1.6 million in the year ended 31 March 2017, which was generally in line with the expansion of our business and operations during the relevant period.

### **Finance income**

Our finance income decreased from approximately HK\$14,000 for the year ended 31 March 2016 to nil for the year ended 31 March 2017 as we maintained no balance in deposit bank account in the year ended 31 March 2017.

### **Profit before income tax**

Our profit before income tax increased by approximately HK\$16.7 million or 62.7% to approximately HK\$43.5 million for the year ended 31 March 2017 from approximately HK\$26.7 million for the year ended 31 March 2016. The increase was primarily contributed to the better segment results of our digital media services and other media services, which recorded increased profit before income tax by approximately HK\$19.5 million and HK\$5.9 million respectively in the year ended 31 March 2017 mainly driven by our growth in the digital media services and event organisation as aforementioned. However, our print media services segment experienced a downturn and recorded segment loss before income tax of approximately HK\$1.0 million in the year ended 31 March 2017. The downturn in the segment result was principally led by the decreased advertorial production and advertisement placement accompanied with declining sales of our publications as a matter of the general trend of digitalisation and consumers' preference shifting toward digital journalism from print media, while the segment required to maintain certain costs such as staff costs and printing cost for operations despite of the declining performance.

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Based on the assessment of our assets relating to print media services segment as at each of the year or period end dates during the Track Record Period which comprised property, plant and equipment, inventories, trade receivables, prepayments and deposits and cash and cash equivalents, our Directors consider that there was no impairment indication and therefore no impairment provision on our assets under print media services segment was provided, except for one occasion that our Group had written off the inventories of approximately HK\$551,000 as at 31 March 2017 and the reasons are set forth under the paragraph headed “Description of certain items of consolidated balance sheets – Inventories” in this section. Our Directors set forth the relevant bases of their view as follows: (a) among our property, plant and equipment, furniture and fixtures, office equipment and leasehold improvement were commonly used in both our Group’s print media services and digital media services segments during the Track Record Period, and given the digital media services segment was profitable, our Directors consider that no impairment provision was required for such assets. In addition, no impairment provision was required for computer equipment since such assets are transferrable to our digital media services segment when needed; (b) with respect to our inventories which consisted of books held for sales, our Directors have reviewed the inventory recoverable amount as at each of the year or period end dates during the Track Record Period by comparing the cost of inventories and net realisable value which took into account all directly attributable variable selling expenses of the inventories. Our Directors consider that our inventories during the Track Record Period remained marketable and had long shelf-life and therefore no relevant impairment provision was made, except for the write-off of inventories as aforementioned; (c) with respect to our trade receivables, our Directors consider impairment on such receivables based on an assessment of the recoverability of the receivables, and provision will apply where events or changes in circumstances which indicate that the receivable balances may not be collectible. During the Track Record Period, we identified no occasion of uncollectible receivables relating to our print media services segment and therefore no impairment provision was provided; (d) the prepayment and deposits relating to our Group’s print media services segment were mainly the deposits paid for our leased office premises and utilities which our Directors consider that would be collectible, as well as the rentals of venue for book fair for sales of the publications which was fully settled as at the relevant financial year or period end date, and therefore no relevant impairment provision was considered as required; and (e) the cash and cash equivalents of our Group were denominated in Hong Kong dollars and not pledged, and our Directors consider that our Group was not subject to foreign exchange risk and no relevant impairment provision was considered as required.

### **Income tax expenses**

Our income tax expenses increased by approximately HK\$2.9 million or 66.6% to approximately HK\$7.2 million for the year ended 31 March 2017 from approximately HK\$4.3 million for the year ended 31 March 2016. The increase was mainly in line with our increased revenue during the relevant period while our effective tax rate remained relatively stable at approximately 16.2% and 16.6% for the years ended 31 March 2016 and 2017 respectively.

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### **Profit for the year**

As a result of the foregoing, our profit for the year increased by approximately HK\$13.9 million or 61.9% to approximately HK\$36.3 million for the year ended 31 March 2017 from approximately HK\$22.4 million for the year ended 31 March 2016. The increase in net profit was mainly attributable to the increase of revenue as a result of the growth recorded in both of our digital media services and other media services. Our net profit margin decreased from approximately 40.9% for the year ended 31 March 2016 to approximately 38.1% for the year ended 31 March 2017 which was generally in line with our decreased gross profit margin from approximately 66.3% for the year ended 31 March 2016 to approximately 61.2% for the year ended 31 March 2017.

### ***The year ended 31 March 2016 compared to the year ended 31 March 2015***

#### **Revenue**

Our revenue increased by approximately HK\$30.8 million or 128.6% to approximately HK\$54.8 million for the year ended 31 March 2016 from approximately HK\$24.0 million for the year ended 31 March 2015 as a result of (i) our revenue derived from digital media services which were formally launched by our Group in the year ended 31 March 2016 as a diversification of our services; and (ii) the increased revenue generated from our events organisation. The increase in revenue was partially offset by the decrease in revenue from print media services.

#### ***Digital media services***

Our revenue from digital media services increased by approximately HK\$28.4 million from nil for the year ended 31 March 2015 to approximately HK\$28.4 million for the year ended 31 March 2016. The increase was due to the diversification of our services to digital media and our sales effort in developing our digital media services segment where such segment had attracted both brand owners and advertising agencies to purchase our one-stop advertising solution package to satisfy their different marketing goals and distribute their advertisements on the Digital Media Platforms to maximise penetration.

#### ***Print media services***

Our revenue from print media services decreased by approximately HK\$1.1 million or 4.7% from approximately HK\$23.8 million for the year ended 31 March 2015 to approximately HK\$22.7 million for the year ended 31 March 2016. The decrease was mainly due to decrease in sales of our magazines and book publications from approximately HK\$12.7 million for the year ended 31 March 2015 to approximately HK\$9.0 million for the year ended 31 March 2016. Accordingly, we recorded reduced sales volume of our publications by approximately 50.4% in the year ended 31 March 2016 compared to the corresponding period of last year. The change in reading habit among consumers in Hong Kong from print media to digital media generally led to the decrease in demand for our magazines and books. The decrease in revenue from print media services was partially offset by the increase in revenue from advertorial production and advertisement placement by approximately HK\$2.5 million during the relevant period.

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### *Other media services*

Our revenue from other media services increased by approximately HK\$3.5 million from approximately HK\$0.2 million for the year ended 31 March 2015 to approximately HK\$3.7 million for the year ended 31 March 2016. The increase was principally driven by the revenue we derived from our Awards Ceremony organised in January 2016, which amounted to approximately HK\$3.4 million. For the year ended 31 March 2015, we only organised a book publishing event, which is of relatively small scale, and recorded revenue of approximately HK\$0.2 million during the period.

For the year ended 31 March 2015, we had yet commenced any artistes management business. Such business generated approximately HK\$0.4 million for the year ended 31 March 2016.

### *Advertising agencies, brand owners and others*

Under our print media services and digital media services segments, there was a slight decrease in the portion of our advertising-related revenue generated from advertising agencies from approximately 59.0% for the year ended 31 March 2015 to approximately 55.4% for year ended 31 March 2016. On the other hand, the portion of such revenue generated from brand owners and others increased from approximately 41.0% for the year ended 31 March 2015 to approximately 44.6% for the year ended 31 March 2016. While the percentage of advertising-related revenue generated from repeated customers (who entered into more than one contract with us during the Track Record Period) remained relatively stable at approximately 91.0% and 87.6% of our advertising-related revenue with respect to the digital media and print media services for the years ended 31 March 2015 and 2016, respectively.

### **Cost of sales**

Our cost of sales increased by approximately HK\$9.7 million or 109.6% to approximately HK\$18.5 million for the year ended 31 March 2016 from approximately HK\$8.8 million for the year ended 31 March 2015. Such increase was mainly due to increase in our cost of sales incurred under (i) our digital media services segment of approximately HK\$7.3 million, whereas we did not incur any segment cost of sales in the year ended 31 March 2015; (ii) our print media services segment of approximately HK\$1.2 million mainly attributable to our increase in other production costs; and (iii) our other media services segment where we incurred higher production costs in relation to our event organised in the year ended 31 March 2016.

### **Gross profit and gross profit margin**

As a result of the foregoing, our gross profit increased by approximately HK\$21.2 million or 139.6% from approximately HK\$15.2 million for the year ended 31 March 2015 to approximately HK\$36.3 million for the year ended 31 March 2016. Our gross profit margin slightly increased from approximately 63.2% for the year ended 31 March 2015 to

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approximately 66.3% for the year ended 31 March 2016, which was mainly due to (i) increase in gross profit margin from other media services and (ii) the presence of digital media services which was of relatively higher gross profit margin. Such increase was partially offset by the effect of relatively lower gross profit margin of approximately 56.3% for the print media services segment.

Our gross profit margin from digital media services increased from nil for the year ended 31 March 2015 to approximately 74.4% for the year ended 31 March 2016, which was due to the official launch of our digital media services for the year ended 31 March 2016.

Our gross profit margin from print media services decreased from approximately 63.5% for the year ended 31 March 2015 to approximately 56.3% for the year ended 31 March 2016. The decrease was mainly due to the presence of segment staff costs, one of the major fixed cost factors associated with our publication business, represented approximately 31.1% of the cost of sales in relation to the print media services for the year ended 31 March 2016 regardless of the sales performance of our publications and the increase in other production costs related to our publications.

Our gross profit margin from other media services increased from approximately 19.8% for the year ended 31 March 2015 to approximately 64.8% for the year ended 31 March 2016. The increase was mainly attributable to the better margin primarily resulted from the advertising income and income from sales of tickets of our Awards Ceremony, as compared to that of the book publishing event hosted in the year ended 31 March 2015.

### **Other income**

Our other income, represented mainly the disposal of wastage books under our publication business, remained relatively stable at approximately HK\$24,000 and approximately HK\$22,000 for the years ended 31 March 2015 and 2016, respectively.

### **Selling and distribution expenses**

Our selling and distribution expenses increased by approximately HK\$1.2 million or 37.5% to approximately HK\$4.4 million for the year ended 31 March 2016 from approximately HK\$3.2 million for the year ended 31 March 2015. The increase for the year ended 31 March 2016 was primarily due to increase in our staff costs related to sales and marketing team by approximately HK\$3.9 million mainly as a result of our increasing sales effort to our digital media services, partly offset by the cessation of our sales agency services arrangement with MPM in the relevant period who received agency and management fee of approximately HK\$2.7 million from us for rendering the said services in the year ended 31 March 2015.

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### **Administrative expenses**

Our administrative expenses increased by approximately HK\$2.5 million or 94.9% to approximately HK\$5.2 million for the year ended 31 March 2016 from approximately HK\$2.7 million for the year ended 31 March 2015. The increase was primarily due to the combined effect of (i) the increase in our staff costs of approximately HK\$1.0 million; (ii) the accounting service fee of approximately HK\$0.6 million we incurred; and (iii) the increased rent and building management fees, depreciation and other administrative expenses aggregately amounted to approximately HK\$1.1 million, due to expansion of our business and operations. Such increase was slightly offset by the effect of no agency and management fee incurred by us due to the cessation of relevant services arrangement with MPM during the year ended 31 March 2016.

### **Finance income**

Our finance income decreased from approximately HK\$32,000 for the year ended 31 March 2015 to approximately HK\$14,000 for the year ended 31 March 2016 mainly due to decrease in interest income gained from our deposit bank balance during the period.

### **Profit before income tax**

Our profit before income tax increased by approximately HK\$17.4 million or 186.7% to approximately HK\$26.7 million for the year ended 31 March 2016 from approximately HK\$9.3 million for the year ended 31 March 2015. The increase was primarily contributed by the segment profits before income tax generated from our digital media services and other media services in the year ended 31 March 2016 which were approximately HK\$16.6 million and HK\$2.4 million respectively, compared with the segment profits before income tax of nil and approximately HK\$39,000 respectively in the year ended 31 March 2015. While our print media services segment recorded a slight decrease of approximately HK\$1.6 million in profit before income tax in the year ended 31 March 2016 mainly due to the decreased sales of our publications in the relevant period.

### **Income tax expenses**

Our income tax expenses increased by approximately HK\$2.8 million or 187.8% to approximately HK\$4.3 million for the year ended 31 March 2016 from approximately HK\$1.5 million for the year ended 31 March 2015. The increase was primarily in line with our increased revenue during the relevant period. While our effective tax rate remained relatively stable at approximately 16.1% and 16.2% for the years ended 31 March 2015 and 2016, respectively.

### **Profit for the year**

As a result of the foregoing, our profit for the year increased by approximately HK\$14.6 million or 186.5% to approximately HK\$22.4 million for the year ended 31 March 2016 from approximately HK\$7.8 million for the year ended 31 March 2015. The increase in net profit for the year end 31 March 2016 was mainly attributable to the official launch of digital media

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services, and the increase in revenue from events organisation under the other media services. Our net profit margin increased from approximately 32.6% for the year ended 31 March 2015 to approximately 40.9% for the year ended 31 March 2016 which was mainly due to our increase in gross profit margin from approximately 63.2% for the year ended 31 March 2015 to approximately 66.3% for the year ended 31 March 2016.

### LIQUIDITY AND CAPITAL RESOURCES

#### Cash flow

Our primary uses of cash are for the payment of direct costs of our business activities, staff costs, various operating expenses and capital expenditure, and have been funded through cash generated from our operations. Upon completion of the Share Offer, we expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from proceeds of the Share Offer for implementing our future plans as detailed under the section headed “Future plans and use of proceeds” in this prospectus, when necessary, bank and other borrowings.

The following table summarises, for the periods indicated, our consolidated statements of cash flows:

	For the year ended 31 March			For the eight months ended
	2015	2016	2017	30 November 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	3,773	15,048	42,669	7,698
Net cash (used in) investing activities	(709)	(921)	(632)	(643)
Net cash generated from/(used in) financing activities	357	(10,000)	(35,000)	(2,260)
Net increase in cash and cash equivalents	3,421	4,127	7,037	4,795
Cash and cash equivalents at beginning of the year/period	7,565	10,986	15,113	22,150
Cash and cash equivalents at end of the year/period	<u>10,986</u>	<u>15,113</u>	<u>22,150</u>	<u>26,945</u>

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### *Operating activities*

During the Track Record Period, our cash inflow from operating activities was generated from our print media services, digital media services and other media services segments. Our cash outflow used in operating activities was primarily the direct costs we incurred under the three business segments, which were staff costs and other operating expenses.

For the eight months ended 30 November 2017, our net cash generated from operating activities of approximately HK\$7.7 million, which was cash generated from operations of approximately HK\$7.9 million, offset by the income tax paid of approximately HK\$0.2 million. Negative changes in working capital mainly reflected an increase in trade receivables of approximately HK\$2.9 million primarily resulted from an increase in average trade receivables turnover days from approximately 59 days for the year ended 31 March 2017 to approximately 66 days for the eight months ended 30 November 2017. Such negative changes in working capital were slightly offset by the increase in other payables and accruals of approximately HK\$3.3 million mainly resulted from the presence of listing expenses payable of approximately HK\$2.2 million and an increase in accruals related to staff costs, in particular the accrued commissions to our sales and marketing team.

For the year ended 31 March 2017, our net cash generated from operating activities of approximately HK\$42.7 million, which was cash generated from operations of approximately HK\$49.5 million, offset by the income tax paid of approximately HK\$6.8 million. Positive changes in working capital mainly reflected a decrease in trade receivables of approximately HK\$3.2 million primarily resulted from a decrease in average trade receivables turnover days from approximately 77 days for the year ended 31 March 2016 to approximately 59 days for the year ended 31 March 2017 and an increase in receipts in advance of approximately HK\$2.2 million mainly from certain new customers relating to our digital media services and a repeated customer whose project's timeline crossed the year ended 31 March 2017.

For the year ended 31 March 2016, our net cash generated from operating activities of approximately HK\$15.0 million, which was cash generated from operations of approximately HK\$17.0 million, offset by the income tax paid of approximately HK\$1.9 million. Negative changes in working capital mainly reflected an increase in trade receivables of approximately HK\$10.5 million primarily resulting from an increase in revenue compared to prior year and an increase in average trade receivables turnover days from approximately 62 days for the year ended 31 March 2015 to approximately 77 days for the year ended 31 March 2016, and an increase in prepayments and deposits of approximately HK\$1.0 million resulting from the deposits we paid in preparing and organising our Anniversary Ceremony held in May 2016. Such negative changes in working capital were partially offset by the increase in other payables and accruals of approximately HK\$1.5 million mainly resulting from an increase in accruals related to staff costs, in particular the accrued commissions to our sales and marketing team.

For the year ended 31 March 2015, our net cash generated from operating activities of approximately HK\$3.8 million, which was cash generated from operations of approximately HK\$5.8 million, offset by the income tax paid of approximately HK\$2.0 million. Our cash flow before changes in working capital was approximately HK\$9.5 million. Negative changes in working capital mainly reflected an increase in trade receivables of approximately HK\$4.4 million.

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### *Investing activities*

During the Track Record Period, our cash inflow from investing activities comprised deposit bank interest income and proceeds from disposal of property, plant and equipment while our cash outflow used in investing activities was for purchases of property, plant and equipment for our operations.

For the years ended 31 March 2015, 2016, and 2017 and the eight months ended 30 November 2017, our Group had net cash used in investing activities of approximately HK\$0.7 million, HK\$0.9 million, HK\$0.6 million and HK\$0.6 million respectively. For the year ended 31 March 2015, the net cash used in investing activities was mainly attributable to leasehold improvement by moving our headquarters to the current leased premises. For the years ended 31 March 2016 and 2017 and the eight months ended 30 November 2017, the net cash used in investing activities was principally due to the additions of computer equipment and office equipment.

### *Financing activities*

During the Track Record Period, our cash inflow from financing activities was capital contribution relating to the share subscription by Top Plus in 2012 while the cash outflow used in financing activities was principally for the payments of dividends and listing expenses.

For the eight months ended 30 November 2017, our Group had net cash used in financing activities of approximately HK\$2.3 million, which was the non-recurring listing expenses paid in connection with the preparation of the Listing.

For the years ended 31 March 2016 and 2017, our Group had net cash used in financing activities of approximately HK\$10.0 million and HK\$35.0 million respectively, which were the dividends paid by a subsidiary of our Group to its then shareholders.

For the year ended 31 March 2015, our Group had net cash generated from financing activities of approximately HK\$0.4 million primarily attributable to the capital contribution of approximately HK\$0.8 million relating to the share subscription by Top Plus with details set out under the section headed “History, development and Reorganisation – Corporate history and structure – Our Subsidiaries – Blackpaper” in this prospectus, which was partially offset by approximately HK\$0.4 million of dividends paid by a subsidiary of our Group to its then shareholders.

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### DISCUSSION ON CERTAIN FINANCIAL POSITION ITEMS

#### Net current assets

We recorded net current assets of approximately HK\$15.9 million, HK\$27.8 million, HK\$29.0 million and HK\$11.7 million as at 31 March 2015, 2016 and 2017 and 30 November 2017 respectively. The table below sets out selected information for our current assets and current liabilities as at the dates indicated:

	As at 31 March			As at 30 November	As at 31 January
	2015	2016	2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
<b>Current assets</b>					
Inventories	570	987	606	886	918
Trade receivables	6,341	16,858	13,670	16,559	14,366
Prepayments and deposits	222	1,227	1,367	3,443	3,461
Current income tax recoverables	–	284	1,284	1,284	4,013
Cash and cash equivalents	10,986	15,113	22,150	26,945	22,905
	<u>18,119</u>	<u>34,469</u>	<u>39,077</u>	<u>49,117</u>	<u>45,663</u>
<b>Current liabilities</b>					
Trade payables	679	983	742	533	678
Other payables and accruals	802	2,330	2,334	5,595	5,964
Dividend payable	–	–	–	22,000	22,000
Receipts in advance	308	260	2,486	1,801	675
Amounts due to Directors	90	90	90	3	3
Current income tax liabilities	375	2,986	4,413	7,465	1,068
	<u>2,254</u>	<u>6,649</u>	<u>10,065</u>	<u>37,397</u>	<u>30,388</u>
<b>Net current assets</b>	<b><u>15,865</u></b>	<b><u>27,820</u></b>	<b><u>29,012</u></b>	<b><u>11,720</u></b>	<b><u>15,275</u></b>

Our Group's net current assets increased from approximately HK\$15.9 million as at 31 March 2015 to approximately HK\$27.8 million as at 31 March 2016. The increase was primarily due to increase in our trade receivables of approximately HK\$10.5 million which was in line with our increased revenue over the same period, and the increased balance of cash and

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cash equivalents of our Group by approximately HK\$4.1 million. The increased balance of trade receivables as at 31 March 2016 was primarily driven by our diversification of services to digital media and formal launch of such services since the year ended 31 March 2016, where we offered generally 0 to 90 days of credit period to customers during the Track Record Period. The increase was partly offset by increase in other payables and accruals by approximately HK\$1.5 million mainly due to increase in accrued commissions to our sales and marketing team, as well as the increase in our current income tax liabilities by approximately HK\$2.6 million, as at 31 March 2016.

Our Group's net current assets slightly increased to approximately HK\$29.0 million as at 31 March 2017, which remained generally stable compared to the balance of approximately HK\$27.8 million as at 31 March 2016. The increase was primarily due to increase in cash and cash equivalents of approximately HK\$7.0 million from our operations. The increase was partly offset by increase in receipts in advance of approximately HK\$2.2 million as at 31 March 2017.

Our Group's net current assets decreased to approximately HK\$11.7 million as at 30 November 2017 as compared to the balance of approximately HK\$29.0 million as at 31 March 2017. The decreased balance of our net current assets was mainly due to the increased current liabilities by approximately HK\$27.3 million as at 30 November 2017, which was primarily resulted from (i) the dividend of HK\$22.0 million declared by Blackpaper on 12 July 2017 to its then shareholders which was payable before the Listing; (ii) the increased balance of other payables and accruals by approximately HK\$3.3 million, among which was the listing expenses payable of approximately HK\$2.2 million; and (iii) the increased balance of our current income tax liabilities by approximately HK\$3.1 million. Such decrease in our net current assets was slightly offset by the increased current assets by approximately HK\$10.0 million as at 30 November 2017, which was primarily attributable to (i) the increased balance of our cash and cash equivalents primarily generated from our operations; (ii) the increased balance of trade receivables of approximately HK\$2.9 million as at 30 November 2017 mainly resulted from an increase in average trade receivables turnover days from approximately 59 days for the year ended 31 March 2017 to approximately 66 days for the eight months ended 30 November 2017; and (iii) the increased balance of prepayments and deposits mainly attributable to the prepayments relating to listing expenses of approximately HK\$2.8 million as at 30 November 2017.

As at 31 January 2018, the net current assets of our Group were approximately HK\$15.3 million, compared with the balance of approximately HK\$11.7 million as at 30 November 2017. The increase in our net current asset balance as at 31 January 2018 was principally as a result of the extent of our decreased current liabilities by approximately HK\$7.0 million outweighed that of our decreased current assets by approximately HK\$3.5 million as at the same date. As at 31 January 2018, our decreased current liabilities was mainly led by the decrease in receipts in advance of approximately HK\$1.1 million and the decrease in current income tax liabilities of approximately HK\$6.4 million. As at the same date, our decreased current assets was mainly resulted from the decrease in trade receivables of approximately HK\$2.2 million and the decrease in cash and cash equivalents of approximately HK\$4.0 million, but was slightly offset by the increase in current income tax recoverables of approximately HK\$2.7 million as at 31 January 2018.

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### DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED BALANCE SHEETS

#### Inventories

Our inventories as at 31 March 2015, 2016 and 2017 and 30 November 2017 consisted of books held for sales which amounted to approximately HK\$570,000, HK\$987,000, HK\$606,000 and HK\$886,000 respectively. During the Track Record Period, most of our inventories represented books expected to be returned by the Book Distributor and still kept in the Book Distributor's warehouse, while we can identify other distribution and sales channels to dispose these inventories. We generally kept low level of books for our business needs to minimise the risk of building up inventories throughout the Track Record Period. As at 31 March 2017, approximately HK\$551,000 of inventories were written off. The balance of our inventories then reduced from approximately HK\$987,000 as at 31 March 2016 to approximately HK\$606,000 as at 31 March 2017. Our Directors review our inventory levels from time to time and will consider factors mainly including marketability and the inventory level to identify any slow moving inventory, obsolescence or declines in market value on an annual basis. Allowance is made against when the net realisable value of inventories falls below the carrying amount of the inventories. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sales.

Our Directors are of the view that our inventories, which are mainly the book publications, remained marketable and had long shelf-life. Our Directors have reviewed the inventory recoverable amount as at 31 March 2015, 2016 and 2017 and 30 November 2017 by comparing (a) the inventories' carrying amount as represented by the cost of inventories and (b) the net realisable value which took into account all directly attributable variable selling expenses of the inventories. Our Book Distributor negotiated for a one-off inventory arrangement with us, and requested to impose book storage fee in the year ended 31 March 2017 on some of our Group's book publications (which were generally the older issues of publications) maintained at the distributor's warehouse with an aim to reduce its overall inventory level. Such book storage fee was not charged in any of the prior years during the Track Record Period, and the book storage fee newly imposed by the Book Distributor in the year ended 31 March 2017 represented a triggering event. Our Directors subsequently took into account the possible time required to sell these books and the estimated storage fee to be incurred if keeping these books in the distributor's warehouse, and considered it would substantially lower the net realisable value of such books by this means. Whereas, our Directors confirmed that our Group was not required to pay any extra distributing/marketing expenses in years ended 31 March 2015 and 2016 and the eight months ended 30 November 2017 for these books as the Book Distributor was responsible for distributing all the books kept at its warehouse without charging us any extra distributing/marketing expenses. As a result, our Directors decided not to pay the book storage fee and the books involved were returned to us.

With these returned inventories, our Directors further took into account the time needed, extra efforts and extra costs to find a new distributor or sales channel to sell these books and that required for marketing and warehousing those inventories, and therefore considered that the incremental costs could exceed the net realisable value of the books involved and concluded that it was not at the best commercial interest of our Group to keep these returned

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book publications. Consequently, we disposed of the returned books as scrap paper and an inventory write-off of approximately HK\$551,000 was recorded during the year ended 31 March 2017.

As at 31 March 2015 and 2016 and 30 November 2017, the variable selling expenses did not include any book storage fee or any extra marketing expenses. Our Directors confirmed that the selling price of our book publications less the related variable selling expenses was higher than that of the costs of inventories, and no inventory provision was considered necessary during these periods.

The following table sets forth the average turnover days of our inventories for the periods indicated:

	For the year ended 31 March			For the eight months ended
	2015	2016	2017	30 November 2017
Average turnover days of inventories <sup>(Note)</sup>	<u>106</u>	<u>171</u>	<u>256</u>	<u>200</u>

*Note:* Average turnover days of inventories is derived by dividing the average of the opening and closing balances of inventories for the relevant period by cost of inventories, which was approximately HK\$1.4 million, HK\$1.7 million, HK\$1.1 million and HK\$0.9 million respectively, and multiplying by 365 days for the years ended 31 March 2015, 2016 and 2017 and by 240 days for the eight months ended 30 November 2017.

Our average turnover days of inventories increased from around 106 days for the year ended 31 March 2015 to around 171 days for the year ended 31 March 2016 and around 256 days for the year ended 31 March 2017, which was mainly due to the combined effect of decrease in cost of inventories and relatively stable average inventories during the periods. For the eight months ended 30 November 2017, our average turnover days of inventories was around 200 days.

As at 31 January 2018, the subsequent utilisation and sales of our inventories as at 30 November 2017 amounted to approximately HK\$28,000 or 3.2%.

### Trade receivables

Our trade receivables consist of revenue derived under our digital media services, print media services and other media services segments receivables from customers, where receivables are recorded for any unsettled customer payments for our services upon recognition of revenue. Details of our revenue recognition policy are set out in note 2.15 to the Accountant's Report in Appendix I to this prospectus. During the Track Record Period, our trade receivables were dominated in HK\$. Our customers generally settled payments by cheques or through bank transfers. Our trade receivables increased from approximately HK\$6.3 million as at 31 March 2015 to approximately HK\$16.9 million as at 31 March 2016 which was

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generally in line with increase in our revenue mainly contributed by our digital media services. In January 2016, we organised our Awards Ceremony. In the months subsequent to the event, we recorded relatively higher revenue under our digital media services due to the positive effect brought by such event and thereby resulted in higher trade receivable balance as at 31 March 2016. Our trade receivable balance was reduced to approximately HK\$13.7 million as at 31 March 2017.

As at 30 November 2017, our trade receivables slightly increased to approximately HK\$16.6 million principally resulted from an increase in average trade receivables turnover days from approximately 59 days for the year ended 31 March 2017 to approximately 66 days for the eight months ended 30 November 2017, the average of which was still within the range of credit period we granted to customers.

During the Track Record Period, we granted a credit period ranging from 0 to 90 days to our customers. Our Group adopts prudent credit control procedures. Our management closely monitors the settlement status of our trade receivables and regularly reviews the credit terms. Details of our credit control policy are set out in the section headed “Business – Sales and marketing – Credit policy and payment methods” in this prospectus.

Our policy for impairment on trade receivables is based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. Any impairment loss for trade receivables are subject to our Directors’ approval. We recorded an immaterial amount of bad debts of approximately HK\$150,000 in the year ended 31 March 2017. Save for such one-off occasion of bad debts relating to an independent customer, we had no other bad debts written off during the Track Record Period. We did not hold any collateral as security or other credit enhancement over the trade receivables.

The following table sets forth the ageing analysis of our trade receivables which are past due but not impaired, as at the dates indicated:

	As at 31 March		As at 30 November	
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 2 months	2,373	3,450	900	7,934
2 to 4 months	229	210	1,689	3,485
4 to 6 months	109	765	1,731	788
Over 6 months	–	66	2,996	860
<b>Total</b>	<b>2,711</b>	<b>4,491</b>	<b>7,316</b>	<b>13,067</b>

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As at 31 March 2015, 2016 and 2017 and 30 November 2017, our trade receivables amounted to approximately HK\$2.7 million, HK\$4.5 million, HK\$7.3 million and HK\$13.1 million respectively, which were past due but not impaired and were all due from Independent Third Parties. These related to customers for whom there is no significant financial difficulty and based on our experience, our Directors were of the view that no impairment allowance was necessary in respect of these overdue balances as there had not been significant change in credit quality of our customers and the balances were considered fully recoverable. As at the Latest Practicable Date, approximately 1.2% of our trade receivables which were past due but not impaired over six months as at 30 November 2017 were settled. There was no material disagreement or dispute between our Group and our customers, which could adversely affect our financial conditions, in respect of the trade receivables that remained unsettled as at the Latest Practicable Date.

As at the Latest Practicable Date, approximately HK\$10.5 million or 63.6% of our trade receivables outstanding as at 30 November 2017 were settled.

The table below sets forth the average turnover days of our trade receivables for the periods indicated:

	For the year ended 31 March			For the eight months ended 30 November
	2015	2016	2017	2017
Average turnover days of trade receivables <sup>(Note)</sup>	<u>62</u>	<u>77</u>	<u>59</u>	<u>66</u>

*Note:* Average turnover days of trade receivables is derived by dividing the average of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 365 days for the years ended 31 March 2015, 2016 and 2017 and by 240 days for the eight months ended 30 November 2017.

Our average turnover days of trade receivables were around 62 days, 77 days and 59 days for the years ended 31 March 2015, 2016 and 2017 respectively. The higher average turnover days of trade receivables for the year ended 31 March 2016 were generally resulted from the higher balance of our trade receivables as at 31 March 2016 due to the aforementioned reasons. Our average turnover days of trade receivables remained generally stable at around 66 days for the eight months ended 30 November 2017.

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### Prepayments and deposits

The following table sets forth the breakdown of our prepayments and deposits as at the dates indicated:

	As at 31 March			As at 30 November
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current</b>				
Prepayments for property, plant and equipment	–	–	–	304
Deposits	114	114	160	393
	114	114	160	697
<b>Current</b>				
Prepayments	187	1,052	1,202	3,401
Deposits	35	175	165	42
	222	1,227	1,367	3,443
<b>Total</b>	<b>336</b>	<b>1,341</b>	<b>1,527</b>	<b>4,140</b>

### *Prepayments*

Our prepayments mainly comprise the prepayments we paid in relation to our production of advertisements and events organisation, the rentals of venue for book fair participated by us in Hong Kong for sales of our publications and the portion of listing expenses to be deducted from equity upon the Listing. As at 31 March 2016, our prepayments increased to approximately HK\$1.1 million, compared to approximately HK\$0.2 million as at 31 March 2015, which was primarily resulted from the deposits such as rental deposits we paid in preparing and organising our Anniversary Ceremony held in May 2016. As at 31 March 2017, our prepayments of approximately HK\$1.2 million was principally due to the occasions that we were requested to prepay certain third party artistes' performance fees before production of the relevant advertisements. As at 30 November 2017, our prepayments were approximately HK\$3.7 million and the increased balance of which was principally due to the equity portion of listing expenses of approximately HK\$2.8 million prepaid during such period with details refer to note 14 to the Accountant's Report contained in Appendix I of this prospectus.

### *Deposits*

Our deposits mainly comprise deposits paid in relation to our leased office premises and utilities. We also paid deposits for establishing an internal system for our book publications as at 31 March 2017. As at 31 March 2015, 2016 and 2017, we had deposits (including non-current and current portions) of approximately HK\$149,000, HK\$289,000 and HK\$325,000 respectively. As at 30 November 2017, our deposits (including non-current and current portions) were approximately HK\$435,000.

## FINANCIAL INFORMATION

### Trade payables

Our trade payables represent amounts payable to suppliers for our digital media services, print media services and other media services segments. During the Track Record Period, our trade payables were denominated in HK\$. We settled payments to most of our suppliers by cheques generally. As at 31 March 2015, 2016 and 2017, our trade payable balances were approximately HK\$679,000, HK\$983,000 and HK\$742,000 respectively. We maintained generally low balances of trade payables. As at 30 November 2017, our trade payable balance was approximately HK\$533,000.

Our suppliers generally offer us credit periods within 30 days. The table below sets forth, as at the end of reporting periods indicated, the ageing analysis of our trade payables based on invoice date:

	As at 31 March			As at
	2015	2016	2017	30 November
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Within 1 month	538	981	573	409
1 to 2 months	78	–	–	18
2 to 3 months	63	2	–	106
Over 3 months	–	–	169	–
<b>Total</b>	<b>679</b>	<b>983</b>	<b>742</b>	<b>533</b>

The following table sets out the average trade payables turnover days for the Track Record Period:

	For the year ended 31 March			For the
	2015	2016	2017	eight months
				ended
				30 November
				2017
Average turnover days of trade payables <sup>(Note)</sup>	19	16	9	6

*Note:* Average turnover days of trade payables is derived by dividing the average of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying by 365 days for the years ended 31 March 2015, 2016 and 2017 and by 240 days for the eight months ended 30 November 2017.

Our average trade payables turnover days were around 19 days for the year ended 31 March 2015, around 16 days for the year ended 31 March 2016, around 9 days for the year ended 31 March 2017 and around 6 days for the eight months ended 30 November 2017, of which were within the credit terms generally granted by our suppliers during the Track Record Period.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no material default in payment of trade payables by us.

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## FINANCIAL INFORMATION

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### Other payables and accruals

Our other payables and accruals mainly represent the accrued expenses relating to staff costs, royalties and production costs, as well as listing expenses payable in connection with the preparation of the Listing. The table below sets forth, as at the dates indicated, the breakdown of our other payables and accruals:

	As at 31 March			As at
	2015	2016	2017	30 November
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Other payables	194	301	325	2,671
Accruals	608	2,029	2,009	2,924
<b>Total</b>	<b>802</b>	<b>2,330</b>	<b>2,334</b>	<b>5,595</b>

Our other payables and accruals increased from approximately HK\$0.8 million as at 31 March 2015 to approximately HK\$2.3 million as at 31 March 2016, which was mainly due to increase in accruals related to staff costs, in particular the accrued commissions to our sales and marketing team. The balance remained relatively stable at approximately HK\$2.3 million as at 31 March 2017. As at 30 November 2017, our other payables and accruals increased to approximately HK\$5.6 million, which was primarily due to the listing expenses payable of approximately HK\$2.2 million recorded in such period in connection with the preparation of the Listing. Among our other payables, approximately HK\$251,000, HK\$289,000, HK\$246,000 and HK\$356,000 were related to the payables to our executive Directors as at 31 March 2015, 2016 and 2017 and 30 November 2017 respectively. Details of our royalty expenses to our executive Directors are set out under the paragraph headed “Transactions with related parties” in this section below.

### Dividend payable

As at 30 November 2017, we recorded dividend payable of HK\$22.0 million as declared by Blackpaper on 12 July 2017 to its then shareholders. Such dividend was payable before the Listing. As at each of 31 March 2015, 2016 and 2017, no such balance was recorded by us.

### Receipts in advance

Our receipts in advance amounted to approximately HK\$0.3 million, HK\$0.3 million, HK\$2.5 million and HK\$1.8 million as at 31 March 2015, 2016 and 2017 and 30 November 2017, respectively. During the Track Record Period, we may require our new customers to pay a 50% deposit upon signing of contract. For engagement with contract sum exceeding a certain amount, we also generally require our customers to pay a 50% deposit upon signing of contract. The increased balance as at 31 March 2017 was mainly due to receipts in advance from certain new customers who were mainly our customers for digital media services and a repeated customer whose project's timeline crossed the year ended 31 March 2017. As at 30 November 2017, our balance of receipts in advance was approximately HK\$1.8 million.

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## FINANCIAL INFORMATION

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### **Amounts due to Directors**

Our amounts due to Directors remained at approximately HK\$90,000 as at 31 March 2015, 2016 and 2017 and reduced to approximately HK\$3,000 as at 30 November 2017, which were unsecured, non-trade in nature, interest free, and repayable on demand. Such amount represented the set-up costs from our executive Directors at the time they established our Group or the cost incurred for incorporation of our Company. As at 31 January 2018, our amounts due to Directors remained at approximately HK\$3,000, and was fully settled as at the Latest Practicable Date.

### **CAPITAL EXPENDITURES**

Our Group's capital expenditures principally consisted of expenditures on purchases of property, plant and equipment for our operations. During the Track Record Period, our Group incurred capital expenditures of approximately HK\$0.7 million, HK\$0.9 million, HK\$0.6 million and HK\$0.7 million respectively, the majority of which related to purchases of computer equipment and office equipment and addition of leasehold improvements for our operations, which were mainly funded through internal resources from our operations.

### **WORKING CAPITAL**

For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, we had net cash generated from our operating activities of approximately HK\$3.8 million, HK\$15.0 million, HK\$42.7 million and HK\$7.7 million respectively. As at 30 November 2017, our balance of cash and cash equivalents was approximately HK\$26.9 million. Our ongoing working capital requirements include payments for direct costs of our business activities, staff costs and other operating expenses, whereas our anticipated cash needs and capital expenditures include costs associated with the expansion of our business of which details are set out in the section headed "Future plans and use of proceeds" in this prospectus. We expect to fund our future working capital and capital expenditure requirements from cash generated from our operations, the net proceeds from the Share Offer and, when necessary, bank and other borrowings.

Our Directors confirmed that, taking into consideration the internal resources available to us, including balance of our cash and bank deposits and the estimated net proceeds from the Share Offer, our Directors are satisfied, after due and careful inquiry, that we have sufficient working capital for our present requirements and for the next twelve months commencing from the date of this prospectus.

### **PROPERTY INTERESTS**

Our Directors confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

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## FINANCIAL INFORMATION

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### CONTRACTUAL AND CAPITAL COMMITMENTS

#### Operating lease commitments

As at 31 March 2015, 2016 and 2017, 30 November 2017 and 31 January 2018, our Group had commitments for future minimum lease payments under non-cancellable operating leases which are payable as follows:

	As at 31 March			As at 30 November 2017	As at 31 January 2018
	2015	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	264	457	674	1,043	1,043
After 1 year and no later than 5 years	309	237	842	1,115	910
<b>Total</b>	<b>573</b>	<b>694</b>	<b>1,516</b>	<b>2,158</b>	<b>1,953</b>

#### Capital commitments

As at 31 March 2015, 2016 and 2017, 30 November 2017 and 31 January 2018, our Group had no significant capital commitments.

### INDEBTEDNESS

Save for the amounts due to Directors aforementioned, during the Track Record Period and up to 31 January 2018, being the latest practicable date for the purpose of the indebtedness statement in this prospectus, we did not have any bank borrowings or banking facilities. As at the Latest Practicable Date, we did not have any unutilised banking facilities. Our Directors confirmed that they are not aware of any foreseeable problem in obtaining banking facilities for our business should the need arises, having considered our Company is financially healthy in general.

#### Contingent liabilities and other indebtedness

As at 31 March 2015, 2016 and 2017, 30 November 2017 and 31 January 2018, being the latest practicable date for the purpose of the indebtedness statement in this prospectus, we did not have any significant contingent liabilities or guarantees.

Save as the amounts due to Directors disclosed above, and apart from intra-group liabilities and normal trade payables, our Group did not have any (i) debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured; (ii) borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances or acceptance credits or hire purchase commitments, distinguishing between guaranteed, unguaranteed, secured and unsecured borrowings and debt; (iii) mortgages and charges; and (iv) other material contingent liabilities as at 31 January 2018, being the latest practicable date for the purpose of the indebtedness statement in this prospectus.

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### OFF-BALANCE SHEET ARRANGEMENT

During the Track Record Period and up to the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangements.

### TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions during the Track Record Period set forth in note 24 to the Accountant's Report in Appendix I to this prospectus, our Directors confirmed that these transactions were conducted on arm's length basis and on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interests of our Company and Shareholders as a whole. The following summarises the material related party transactions with our executive Directors and an Independent Third Party during the Track Record Period:

#### **Related party transactions with our executive Directors**

##### *Royalty expenses*

For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, we paid royalty expenses of approximately HK\$196,000, HK\$176,000, HK\$263,000 and HK\$75,000 respectively to our executive Directors. During the Track Record Period, our Group acted as the publisher of books written by Mr. Iu, Mr. Luk and Mr. Tsui. While in return, they received royalties based on a pre-agreed percentage of retail price of relevant books. Accordingly, Mr. Iu, Mr. Luk and Mr. Tsui are the connected persons of our Company as defined under the Listing Rules and the transactions between us constituted connected transactions. Such transactions with our executive Directors are expected to continue after Listing, and our Group will fully comply with relevant requirements under the Listing Rules where applicable. More details are set out in the section headed "Connected transactions – Fully exempt continuing connected transactions" in this prospectus.

#### **Related party transactions with MPM**

During the Track Record Period, we procured sales, accounting and other administrative supports from MPM, which is an indirect wholly-owned subsidiary of One Media. Our executive Directors considered that the aforesaid arrangements would enable us to receive operational support at the early stage of our business and confirmed that these related party transactions with MPM were conducted on arm's length basis and on normal commercial terms.

##### *Agency and management fee*

For the year ended 31 March 2015, we paid an agency and management fee in a total of approximately HK\$2.7 million to MPM. The agency and management fee consisted of (i) sales agency fee, for sales of advertising space in Blackpaper Magazine by MPM, who acted as our sales representative (the "Agency Fee"); and (ii) sales agency and management fee, mainly for providing accounting and other administrative services together with the sales agency services

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with respect to our 100 Most Magazine and the relevant operations (the “**Agency and Management Fee**”). In the year ended 31 March 2015, the Agency Fee and the Agency and Management Fee were approximately HK\$28,000 and HK\$2,686,000, respectively.

During the year ended 31 March 2015, we procured the sales agency services with respect to our Blackpaper Magazine, as a single service, from MPM. While in return, we paid MPM the Agency Fee at pre-agreed fixed rate of the net advertising income derived from the advertising space sold in Blackpaper Magazine by MPM. During such period, MPM as our sales representative collected payments on behalf of us from our customers and paid back to our Group after deducting the Agency Fee of the same month. The terms of the sales agency services aforesaid were agreed under arm’s length negotiation between MPM and us, and on the terms that were fair and comparable to those offered by Independent Third Parties as confirmed by our executive Directors. We entered into the sales agency services for our Blackpaper Magazine before the Track Record Period, and the arrangement of which was ceased since the commencement of the year ended 31 March 2016.

During the year ended 31 March 2015, we also procured the sales agency and management services with respect to our 100 Most Magazine and the relevant operations involved, as a package of services, from MPM. The Agency and Management Fee was a monthly fee generally calculated on the bases of (a) profit or loss sharing and (b) actual service costs, being the labour resources and related costs, incurred by MPM for rendering the relevant services including the sales agency, accounting and other administrative services to our Group. The following is the general formula calculating such fee:  $(\text{Net profit/loss related to the operations of 100 Most Magazine}) \times 15\% + (\text{Service costs incurred by MPM})$ . When determining the rate of 15% used for calculating the profit or loss sharing by MPM, the parties took into account that the costs to be incurred by MPM would be about 15% of the total costs of our Group. Our Directors consider such cost-oriented approach in determining the Agency and Management Fee is justifiable in view of the reasons for and benefits of the arrangement to us. MPM collected payments on behalf of us from our customers and paid back to us after deducting the Agency and Management Fee of the same month.

Such arrangement was entered in March 2013 shortly before the launch of our 100 Most Magazine, being a key business milestone of our Group’s development. Our Directors considered the procurement of agency and management services from an experienced media group would bring benefit to us as we could receive operational guidance at the critical stage of our development and could reduce our operational risk. We were then introduced by Top Plus to procure these services from MPM; and the arrangement involving provision of sales agency, accounting and other administrative services as a single service package was considered by our Directors as the services tailored to our Group which was not available from other service providers. Our Directors are of the view that the Agency and Management Fee adopted a fair and reasonable calculation bases, which could demonstrate that the transaction was a result of arm’s length negotiations between the parties.

Such arrangement was ceased since commencement of the year ended 31 March 2016 as our Group established our teams including the sales and marketing team to support our daily operations.

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### *Accounting service fee*

For the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017, we paid accounting service fee of nil, approximately HK\$600,000, HK\$780,000 and HK\$800,000 respectively to MPM, for accounting services and other administrative support (including the daily accounting operation, credit control function, human resources management and inventory management) received from MPM (the “**Accounting Service Fee**”). The Accounting Service Fee was determined under arm’s length negotiation between MPM and us, and the fee was primarily determined on costs basis taking into account the labour resources involved and related costs incurred (mainly included labour costs of the accounting personnel) by MPM. Regarding the credit terms offered, MPM issued invoice to us in the beginning of each month and we were generally given a credit period of around one month to settle the fee. Such arrangement commenced subsequent to that our Group established our own advertising sales capability of sourcing customers in April 2015. The accounting services will be terminated upon Listing or on 31 March 2018 whichever is earlier, based on mutual agreement, and our Group will employ suitable candidates with financial and accounting related qualifications and related work experience to carry out and support our daily financial accounting function after the termination of the arrangement with MPM, while Mr. Luk, one of our executive Directors, will continue to monitor the financial matters of our Group.

### *System maintenance fee*

For the year ended 31 March 2017 and the eight months ended 30 November 2017, we paid system maintenance fee of approximately HK\$105,000 and HK\$10,000 to MPM, which we are related to a sales system development fee and the subsequent maintenance services of that sales system by MPM. As at the Latest Practicable Date, the system maintenance services continued and will continue on the same basis after Listing.

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended 31 March			For the eight months ended 30 November
	2015	2016	2017	2017
	Gross Profit Margin (%) <sup>(1)</sup>	63.2	66.3	61.2
Net Profit Margin (%) <sup>(2)</sup>	32.6	40.9	38.1	9.3
Return on equity (%) <sup>(3)</sup>	46.9	77.1	119.6	38.3
Return on total assets (%) <sup>(4)</sup>	41.2	62.6	89.6	10.1

	As at 31 March			As at 30 November
	2015	2016	2017	2017
	Current ratio (times) <sup>(5)</sup>	8.0	5.2	3.9
Quick ratio (times) <sup>(6)</sup>	7.8	5.0	3.8	1.3
Gearing ratio (%) <sup>(7)</sup>	0.5	0.3	0.3	163.0
Net debt to equity ratio (%) <sup>(8)</sup>	N/A	N/A	N/A	N/A

*Notes:*

- (1) Gross profit margin for the years ended 31 March 2015, 2016, and 2017 and the eight months ended 30 November 2017 was calculated based on gross profit for the year or period divided by revenue for the respective years or periods and multiplied by 100%. See the paragraph headed “Review of historical results of operations” in this section for more details on our gross profit margins.
- (2) Net profit margin for the years ended 31 March 2015, 2016, and 2017 and the eight months ended 30 November 2017 was calculated based on profit for the year or period divided by revenue for the respective years or periods and multiplied by 100%. See the paragraph headed “Review of historical results of operations” in this section for more details on our net profit margins.
- (3) Return on equity for the years ended 31 March 2015, 2016, and 2017 and the eight months ended 30 November 2017 was calculated based on the profit for the year or period divided by the total equity as at the respective dates and multiplied by 100%.
- (4) Return on total assets of the years ended 31 March 2015, 2016, and 2017 and the eight months ended 30 November 2017 was calculated based on the profit for the year or period divided by the total assets as at the respective dates and multiplied by 100%.
- (5) Current ratio as at 31 March 2015, 2016 and 2017 and 30 November 2017 was calculated based on the total current assets divided by the total current liabilities as at the respective dates.
- (6) Quick ratio as at 31 March 2015, 2016 and 2017 and 30 November 2017 was calculated based on the total current assets less inventories and divided by total current liabilities as at the respective dates.
- (7) Gearing ratio as at 31 March 2015, 2016 and 2017 and 30 November 2017 was calculated based on the total debt divided by the total equity as at the respective dates and multiplied by 100%. The total debt comprised amounts due to Directors and dividend payable as at the dates indicated.
- (8) Net debt to equity ratio as at 31 March 2015, 2016 and 2017 and 30 November 2017 was calculated based on net debts (being total borrowings which include amounts due to Directors and dividend payable net of cash and cash equivalents) divided by the total equity as at the respective dates and multiplied by 100%.

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### **Return on equity**

Our return on equity was approximately 46.9%, 77.1% and 119.6% for the years ended 31 March 2015, 2016 and 2017 respectively. The increase in return on equity was mainly due to (i) the significant increase in net profits; and (ii) a relatively small extent of increase in total equity since dividends was paid by our Group companies to its then shareholders during the said periods. For the eight months ended 30 November 2017, our return on equity was approximately 38.3%, and such decrease was mainly attributable to the decrease in net profit primarily as a result of the factors previously illustrated in this section including the decreased gross profit results as well as the non-recurring listing expenses incurred and the related tax effect from such listing expenses which was not deductible for tax purpose thereby increased our income tax expenses in such period. The decrease was slightly offset by the reduced total equity due to the declaration of dividends of HK\$22.0 million during the same period.

### **Return on total assets**

Our return on total assets was approximately 41.2%, 62.6% and 89.6% for the years ended 31 March 2015, 2016 and 2017 respectively. The increase was primarily attributable to the significant increase in net profit for the said periods due to the reasons discussed in the paragraph headed “Review of historical results of operations” of this section above. For the eight months ended 30 November 2017, our return on total assets was approximately 10.1%, and such decrease was mainly due to the decrease in net profit primarily as a result of the factors previously illustrated in this section including the decreased gross profit as well as the non-recurring listing expenses incurred and the related tax effect from such listing expenses which was not deductible for tax purpose thereby increased our income tax expenses in such period, together with the effect from the increase in total assets mainly driven by increase in balances of our cash and cash equivalents, prepayments and deposits and trade receivables as at the relevant period end date.

### **Current ratio**

Our current ratio was approximately 8.0, 5.2, 3.9 and 1.3 times as at 31 March 2015, 2016 and 2017 and 30 November 2017 respectively. Our current ratio decreased from around 8.0 times as at 31 March 2015 to approximately 5.2 times as at 31 March 2016. Such decrease was primarily due to (i) increase of current tax liabilities by approximately HK\$2.6 million, which was in line with our increase in income tax expenses; and (ii) increase of accruals from sales commissions by approximately HK\$1.3 million, which was partially offset by the increase in trade receivables by approximately HK\$10.5 million. As at 31 March 2017, our current ratio decreased to approximately 3.9 times due to increase in receipts in advance by approximately HK\$2.2 million from certain new customers who were mainly our customers for digital media services, and a repeated customer whose project’s timeline crossed the year ended 31 March 2017. As at 30 November 2017, our current ratio was approximately 1.3 times mainly due to the increased current liabilities by approximately HK\$27.3 million as at 30 November 2017, primarily resulted from the dividend payable subsequent to the declaration of dividends by Blackpaper on 12 July 2017, the listing expenses payable and the increased current income tax liabilities, but slightly offset by the increased current assets by approximately HK\$10.0 million as at the same date mainly resulted from the increased cash position, balance of trade receivables and prepayments and deposits, as illustrated under the paragraph headed “Net current assets” in this section.

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### Quick ratio

Our quick ratio was around 7.8, 5.0, 3.8 and 1.3 times as at 31 March 2015, 2016 and 2017 and 30 November 2017 respectively. Since we recorded low level of inventories during the Track Record Period, there was no material difference between the current ratio and the quick ratio.

### Gearing ratio

Our gearing ratio was relatively low at approximately 0.5%, 0.3% and 0.3% as at 31 March 2015, 2016 and 2017 respectively. The low level of gearing ratio was mainly due to the low level of total debt representing amounts due to Directors of approximately HK\$90,000 as at the respective dates. As at 30 November 2017, we recorded gearing ratio of around 163.0%, principally as a matter of the significant increase in our total debt resulted from the dividend payable of HK\$22.0 million. Such declaration of the dividends reduced our total equity and significantly increased our gearing ratio.

### Net debt to equity ratio

Our Group had net cash as at 31 March 2015, 2016 and 2017 and 30 November 2017, which was due to the relatively high level of cash and cash equivalents outweighed the low level of debt as at the respective dates, thus the net debt to equity ratio was not applicable to our Group.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risk including credit risk, liquidity risk and interest rate risk. Details of the risk to which we are exposed are set out in note 3 to the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

## DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirmed that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

## LISTING EXPENSES

Assuming an Offer Price of HK\$1.1 per Share, being the mid-point of the indicative price range for the Share Offer, total listing expenses in relation to the Listing amounted to approximately HK\$21.4 million. During the three years ended 31 March 2017, we did not incur any listing expenses. For the year ending 31 March 2018, a total of approximately HK\$14.3 million is expected to be recognised as administrative expenses in our consolidated statements of comprehensive income, while approximately HK\$7.1 million is directly attributable to the Share Offer and expected to be recognised as a deduction in equity. For the eight months ended

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30 November 2017, we incurred and recognised listing expenses of approximately HK\$9.2 million. Our Directors would like to emphasise that such listing expenses are a current estimate for reference only, and the final amount to be recognised to the income statement of our Group or to be capitalised is subject to adjustment based on audit and the subsequent changes in variables and assumptions. Potential investors should note that the financial performance of our Group for the year ending 31 March 2018 is expected to be adversely affected by the estimated non-recurring listing expenses mentioned and may or may not be comparable to the financial performance of our Group in the past. For the associated risk, please refer to the section headed “Risk factors – Risks relating to the Share Offer – There would be a negative impact on the financial results of our Group for the year ending 31 March 2018 due to the non-recurring listing expenses” in this prospectus.

### DIVIDENDS

During the Track Record Period, no dividend was paid or declared by our Company since its date of incorporation. The dividends declared and paid by the companies now comprising our Group to its then shareholders including Mr. Iu, Mr. Luk, Mr. Tsui and Tronix Investment (or Top Plus before the transfer of one share in Blackpaper to Tronix Investment on 2 May 2013) entitling as to 30%, 30%, 30% and 10% in accordance with their respective shareholding in the relevant periods were approximately HK\$0.4 million, HK\$10.0 million and HK\$35.0 million for the years ended 31 March 2015, 2016 and 2017, respectively.

On 12 July 2017, Blackpaper declared special dividend in the amount of HK\$22.0 million which was paid to its then shareholders as at the Latest Practicable Date and settled by our internal resources. The declaration of dividends is subject to the discretion of our Board. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders’ interests and other factors which they may deem relevant at such time. As at the Latest Practicable Date, we have not adopted any fixed dividend payout ratio. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Companies Law. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

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## **FINANCIAL INFORMATION**

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### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 8 June 2017 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 30 November 2017.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

Please refer to the section headed “Unaudited pro forma financial information” set out in Appendix II to this prospectus for our unaudited pro forma adjusted consolidated net tangible assets.

### **RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD**

Our business model, revenue and cost structure basically remained unchanged subsequent to the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we had a total of 54 on-going contracts with respect to our digital media, print media and other media services (except for the distribution agreements in relation to the sales of magazines and book publications) on a project basis with an aggregate outstanding contract value of approximately HK\$19.1 million.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save as disclosed above and in the paragraph headed “Listing expenses” in this section, we did not have any significant non-recurrent items in our consolidated financial statements. Apart from that, our Directors also confirmed that, since 30 November 2017 and up to the date of this prospectus, (i) there was no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event occurred that would materially and adversely affect the information shown in the Accountant’s Report set out in Appendix I to this prospectus.

We will hold the 2018 April Talk Show in the Queen Elizabeth Stadium in Hong Kong which will feature one of our contracted artistes and host more than 2,400 audience. For further information about the event, please refer to the section headed “Business – Integrated advertising and media services – (C) Other media services – Events organisation” in this prospectus.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirmed that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please refer to the section headed “Business – Business strategies” in this prospectus for detailed descriptions of our future plans.

### USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$52.8 million from the Share Offer after deducting the underwriting commissions and other expenses in connection with the Share Offer and assuming the initial Offer Price of HK\$1.1 per Share, being the mid-point of the indicative Offer Price range of HK\$1.0 to HK\$1.2 per Offer Share. We intend to use the proceeds from the Share Offer for the purposes and in the amounts set out below:

- approximately 28.4%, or HK\$15.0 million, is expected to be used to pursue growth through selected mergers and acquisitions and/or strategic alliance with other market players. Notwithstanding that our Group had historically grown organically, our Directors are of the view that mergers and acquisitions and/or strategic alliance could effectively increase our market presence and further strengthen our market position thereby facilitate our business development. We have been seeking potential targets which engage in, among others, video productions, event marketing, digital advertising and media related services and/or technology development, which can streamline our operations and minimise our production costs in the long run. Generally, we will focus on targets with relatively small operation scale which our Group could obtain control after acquisition. Such targets could be small scale entities operated by individuals which we are acquainted with or are recommended by industry referral. Leveraging on the experience and network of our management in the advertising media industry, our Directors are of the view that there are some potential targets engaging in the aforementioned services available in the market with which we may pursue mergers and acquisitions opportunities. As at the Latest Practicable Date, we have not identified any target for acquisition or strategic alliance, nor have we conducted any detailed feasibility study on specific potential targets. Our Directors believe that our mergers and acquisitions initiatives enable us to (i) minimise our production costs in the long run since our production costs can be better controlled and monitored by our Group internally and we could be less subject to price fluctuations of third party subcontractors; and (ii) facilitate our production and streamline our operation as we can minimise the time and resources involved in liaising with third party subcontractors on the production schedule and/or accommodating their work schedule;
- approximately 21.9%, or HK\$11.6 million, is expected to be used to engage in sales and marketing activities to expand our customer base and business operations. To achieve our plan, among which, we intend to recruit at least five staff in the second quarter of 2018, who will be responsible for our sales and marketing operation and administration to cope with our Group’s business expansion. The expansion of the

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## FUTURE PLANS AND USE OF PROCEEDS

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sales and marketing team is expected to incur an estimated staff costs of approximately HK\$1.9 million for each of the years ending 31 March 2019 and 2020, respectively. Our sales and marketing staff, including sales executives, will be responsible for supporting our digital media services segment and our marketing personnel will assist in data analysis regarding preference of our followers and visitors of our fan pages on third party social media platforms and preparation of pitching materials. We expect to utilise (i) approximately HK\$1.0 million for each of the years ending 31 March 2019 and 2020 for our sales and marketing staff to conduct digital marketing activities to achieve search engine optimisation and optimise our use of different digital media platforms as content distribution channels; and (ii) approximately HK\$0.8 million for each of the years ending 31 March 2019 and 2020 to organise physical marketing campaigns to further enhance the overall brand awareness of our Group. We also intend to utilise approximately HK\$0.5 million of the proceeds in each of the years ending 31 March 2019 and 2020 to invite selected key opinion leaders (KOLs), advertising agencies and/or experts from different industries to provide training programme relating to our business, operation and/or market development, to our staff;

- approximately 20.8%, or HK\$11.0 million, is expected to be used to upgrade our TVMost website, mobile application and internal IT system of our Group and procure new equipment to achieve operational efficiency and support our business expansion. To enhance the picture qualities of our visual content such as videos and photos, we plan to procure new production equipment with advanced technologies, including camera body, lens and other accessories and video shooting set-ups. We also expect to launch our upgraded TVMost website and mobile application by the first half of 2018 and procure new equipments by stages and will complete before the year ending 31 March 2020;
- approximately 18.9%, or HK\$10.0 million, is expected to be used to strengthen our efforts in events organisation to further extend our marketing channels. We intend to utilise approximately HK\$0.6 million in each of the years ending 31 March 2019 and 2020 to recruit two new staff who will be responsible for events organisation, and the remaining proceeds will be equally divided to hold an event in each of the years ending 31 March 2019 and 2020, respectively. The events are expected to be in form of live performance with themes or topics generally for entertainment purpose. The proceeds will be largely applied to the payments of, among others, (i) the rental of the performance halls; (ii) the stage design fees including the rental and installation fees for the lighting equipment, audio equipment and other visual effect displays; (iii) the operating fees for the show production, stage management and traffic control and fees of the performing artistes; (iv) the marketing expenses and preparation of promotional materials; and (v) insurance and licensee fees, if any; and
- approximately 10.0%, or HK\$5.2 million, is expected to be used to fund our working capital and for general corporate purposes.

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## **FUTURE PLANS AND USE OF PROCEEDS**

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If the Offer Price is set at the high-end or low-end of the proposed offer price range, the net proceeds of the Share Offer will increase or decrease by approximately HK\$6.75 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes (except for the repayment of existing indebtedness to the ultimate holding company and related parties) on a pro-rata basis.

To the extent that the net proceeds from the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licenced banks and/or financial institutions in Hong Kong.

### **COMMERCIAL RATIONALE FOR THE LISTING**

#### **(i) Enhancing our Group's corporate profile, credibility and brand awareness**

Our Directors believe that a public listing status will enhance our corporate profile and assist us in reinforcing our brand awareness and reputation. We believe that a public listing status on the Main Board is a complementary advertising for our Group to potential investors and customers and can enhance our corporate profile and our credibility with the public and potential business partners given a public listed company's greater transparency, relevant regulatory supervision and stability generally. The Share Offer will therefore serve to promote our corporate profile and brand awareness.

Moreover, we believe that the Listing will strengthen our internal control and corporate governance practices, which in turn would increase our customers' confidence on us and attract potential customers.

#### **(ii) Enhancing market status amongst customers, suppliers and employees**

Our Directors believe that a listing status on the Main Board will enhance our credibility with our customers and suppliers and thus, enhance our level of competitiveness in competing for advertising and media services projects. With such status, our Group can be differentiated from market competitors, enhancing our capability of competing for sizable and profitable projects.

Our Directors believe that as a listed company, we will be able to retain our existing employees more effectively, at both operational and administrative level. Our employees will feel more stable and secured about their employment with us, rather than joining a private company, hence strengthening their moral at work.

#### **(iii) Ease of raising funds in capital market for future business development**

Whilst our Group was able to expand our business using internally generated funds during the Track Record Period, our Group still plans to seek equity or equity-linked financing as it would ease our cash flow.

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## FUTURE PLANS AND USE OF PROCEEDS

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The Share Offer, which provides a fund raising platform for our Group, will enable our Group to raise the capital required to finance our future growth and expansion without reliance on our Controlling Shareholders; following such, we will be able to use secondary fund raising after the Listing for our future expansion plans and when necessary, through the issuance of equity and/or debt securities.

Our Group will then be able to maintain a low level of gearing ratio, which benefits our Group and Shareholders as a whole, and enhance our capital structure. Our Directors therefore believe that the use of equity financing would avoid the risk of high interest rate generally associated with debt financing which exposes our Group to increasing financial costs in the future.

**(iv) Diversification of shareholder base and have more liquidity in trading Shares**

Our Directors believe that the Listing will enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the Listing. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder based and potentially lead to a more liquid market in the trading of the Shares.

**(v) Incentivising our management personnel and other employees**

The Listing will enable our Company to offer an equity-based incentive program (such as the Share Option Scheme) to our employees that more directly correlates to their performance. We would therefore be in a better position to motivate our employees using the Shares as a means of reward and to create a team of eager and enthusiastic staff with incentive programs that are closely aligned with the objective of creating value for our Shareholders. The listing status will also help raise staff confidence. It will improve our ability to recruit, motivate and retain key management personnel so as to expediently and effectively capture any business opportunities that may arise.

For the reasons stated above, our Directors believe that the Listing is beneficial to us in the long run.

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## UNDERWRITING

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### UNDERWRITERS

#### Placing Underwriters

Ever-Long Securities Company Limited

CNI Securities Group Limited

#### Public Offer Underwriters

Ever-Long Securities Company Limited

CNI Securities Group Limited

Chief Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### The Public Offer

##### *Public Offer Underwriting Agreement*

The Public Offer Underwriting Agreement was entered into on 15 March 2018 among our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriters. Pursuant to the Public Offer Underwriting Agreement, we are initially offering 6,750,000 Public Offer Shares for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer as mentioned herein and the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions in this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

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## UNDERWRITING

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### *Grounds for Termination*

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Bookrunner may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (a) there comes to the notice of the Sole Bookrunner or any of the Public Offer Underwriters:
  - (i) any breach of any of the warranties, obligations or undertakings imposed upon any party (other than the Sole Bookrunner, the Sole Lead Manager or any of the Public Offer Underwriters);
  - (ii) that any statement contained in any of this prospectus and the Application Forms, the formal notice and any announcements, advertisements, communications or other documents issued by or on behalf of the Company in connection with the Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading or deceptive in any material respect, or that any forecasts, expression of opinion, intention or expectation expressed in this prospectus and the Application Forms, the formal notice, any announcements, advertisements, communications or other documents issued by or on behalf of the Company in connection with the Public Offer (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, in each case when taken as a whole; or
  - (iii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus and having not been disclosed in this prospectus, constitute a material omission therefrom; or
  - (iv) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (v) the Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription and/or purchase of the Offer Shares) or the Share Offer; or
  - (vi) that a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any material member of our Group; or

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## UNDERWRITING

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- (vii) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus and the Application Forms (including any supplement or amendment thereto) or to the issue of any of this prospectus and the Application Forms (including any supplement or amendment thereto).

then, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters) may, upon giving notice in writing to our Company prior to 8:00 a.m. on the Listing Date, terminate the Public Offer Underwriting Agreement with immediate effect.

### *Undertakings to the Stock Exchange pursuant to the Listing Rules*

#### *(A) Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in any of the circumstances provided for under Rule 10.08 of the Listing Rules or pursuant to the Share Offer.

#### *(B) Undertakings by our Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that, except pursuant to the Share Offer, and save as permitted under the Listing Rules, he or it will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she or it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she or it would cease to be the controlling shareholder (as defined in the Listing Rules) of our Company.

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## UNDERWRITING

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Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when he or it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

### *Undertakings pursuant to the Public Offer Underwriting Agreement*

#### *(A) Undertakings by our Company*

We have, pursuant to the Public Offer Underwriting Agreement, undertaken to each of the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriters that we will not, and will procure each other Group Company not to, except pursuant to the Share Offer and the exercise of any options granted or to be granted under the Share Option Scheme, without the prior written consent of the Sponsor, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the Listing Rules:

- (a) at any time after the date of this prospectus up to and including the date falling six months from the Listing Date (the **“First Six-Month Period”**):
  - (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or any securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of the Company or any shares or other securities of such other Group Company, as applicable, with a depositary in connection with

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## UNDERWRITING

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the issue of depositary receipts, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any shares of other securities of such other Group Company, as applicable, or any interest in any of the foregoing, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction;

- (ii) issue or create any mortgage, pledge, charge, lien, option or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or other securities of our Company agree to do any of the foregoing, except pursuant to the Share Offer;
  
- (b) at any time within the six-month period immediately following the First Six-Month Period (the “**Second Six-Month Period**”) do any of the acts set out in paragraph (a) above such that our Controlling Shareholders together, directly or indirectly, would together cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); and
  
- (c) in the event that our Company does any of the acts set out in paragraph (a) above, after the expiry of the First Six-Month Period or the Second Six-Month Period, as the case may be, take all reasonable steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

*(B) Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders, pursuant to the Public Offer Underwriting Agreement has jointly and severally agreed and undertaken to the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Public Offer Underwriters and our Company that:

- (i) at any time during the First Six-Month Period, it shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/he/she (together, the “**Controlled Entities**”) shall not,
  - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or

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## UNDERWRITING

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other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities;
  - (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or
  - (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (ii) at any time during the Second Six-Month Period, it shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it/he/she would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be “controlling shareholders” (as defined in the Listing Rules) of our Company;
- (iii) in the event that it/he/she enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

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## UNDERWRITING

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Each of our Controlling Shareholders further undertakes to each of the Sole Sponsor, our Company, the Stock Exchange, the Sole Bookrunner, the Sole Lead Manager and other the Public Offer Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he/she will:

- (i) when it/he/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

### ***Indemnity***

We and our Controlling Shareholders have agreed to indemnify the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company of the Public Offer Underwriting Agreement.

### **The Placing**

#### ***Placing Underwriting Agreement***

In connection with the Placing, it is expected that our Company and our Controlling Shareholders will enter into the Placing Underwriting Agreement with, among others, the Sole Bookrunner, the Sole Lead Manager and the Placing Underwriters on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, agree to procure subscribers to subscribe for and/or purchase the 60,750,000 Placing Shares being offered pursuant to the Placing, or failing which to subscribe for and/or purchase, their respective applicable proportions of such Placing Shares which are not taken up under the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

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## UNDERWRITING

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It is expected that, pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting Arrangements and expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Underwriting arrangements and expenses – The Public Offer – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

### **Total commission and expenses and the Sole Sponsor’s Fee**

The Underwriters will receive underwriting commissions of 4.0% of the aggregate Offer Price payable for the Placing Shares and 4.0% of the aggregate Offer Price payable for the Public Offer Shares in accordance with the terms of the Underwriting Agreements, out of which the Underwriters may pay any sub-underwriting commission in connection with the Share Offer.

Based on an Offer Price of HK\$1.1 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate expenses in connection with the Listing and the Share Offer (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, the legal and other professional fees, printing cost and other expenses relating to the Share Offer) are estimated to amount to approximately HK\$21.4 million in aggregate. An aggregate amount of HK\$3.6 million is payable by our Company as sponsor fees to the Sole Sponsor for acting as the sole sponsor in the Share Offer.

### **Indemnity**

We undertake to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Public Offer Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

### **Restrictions on the Offer Shares**

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

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## UNDERWRITING

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### **Other Services provided by Underwriters**

The Sole Bookrunner, the Sole Lead Manager, the Underwriters or their affiliates have, from time to time, provided and expect to provide in the future, investment banking and other services to you, other potential investors, our Company and our respective affiliates, for which the Sole Bookrunner, the Sole Lead Manager, the Underwriters or their respective affiliates have received or will receive customary fees and commissions. The Sole Bookrunner, the Sole Lead Manager and the Underwriters may in their ordinary course of business provide financing to investors secured by the Offer Shares offered by this prospectus. The Sole Bookrunner, the Sole Lead Manager and the Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of the Shares.

### **Underwriters' interests in our Group**

Save for their respective obligations under the Public Offer Underwriting Agreement and the Placing Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and Placing Underwriting Agreement.

### **SPONSOR'S INDEPENDENCE**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

### **MINIMUM PUBLIC FLOAT**

Pursuant to Rule 8.08(1) of the Listing Rules, our Company must maintain the minimum prescribed percentage of 25% of our issued shares must at all times after the completion of the Share Offer be held by the public (as defined in the Listing Rules).

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer comprises:

- (a) the Public Offer of 6,750,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed “The Public Offer” in this section below; and
- (b) the Placing of an aggregate of 60,750,000 Shares (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional and other investors under the Placing.

Investors may apply for the Shares under the Public Offer or indicate an interest, if qualified to do so, for the Shares under the Placing, but may not do both. The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “The Public Offer – reallocation” in this section below.

### THE PUBLIC OFFER

#### Number of Shares Initially Offered

We are initially offering 6,750,000 Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Public Offer” in this section.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### Allocation

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially available for subscription under the Public Offer will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not received any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

### Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
  - (i) if the Public Offer Shares are not fully subscribed, the Sole Bookrunner, the Sole Lead Manager (for itself and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Sole Bookrunner, the Sole Lead Manager (for itself and on behalf of the Underwriters) deems appropriate;
  - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of Offer Shares initially available under the Public Offer, then 6,750,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 13,500,000, representing 20% of the Offer Shares initially available under the Share Offer;
  - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available under the Public Offer, then 13,500,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 20,250,000, representing 30% of the Offer Shares initially available under the Share Offer;
  - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available under the Public Offer, then 20,250,000 Offer Shares

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 27,000,000, representing 40% of the Offer Shares initially available under the Share Offer; and

- (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available under the Public Offer, then 27,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 33,750,000, representing 50% of the Offer Shares initially available under the Share Offer.
- (b) Where the Placing Shares are not fully subscribed:
- (i) if the Public Offer Shares are not fully subscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and Underwriting Agreements; and
  - (ii) if the Public Offer Shares are fully subscribed irrespective of the number of times the number of Offer Shares initially available under the Public Offer, then up to 6,750,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 13,500,000, representing 20% of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (xx) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (yy) the Placing Shares are not fully subscribed and the Public Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.0 per Offer Share) stated in this prospectus.

In addition, the Sole Bookrunner may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 13,500,000 Offer Shares).

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. In addition, the Sole Bookrunner may in its sole and absolute discretion reallocate Offer Shares of the Placing to the Public Offer to satisfy valid applications under the Public Offer. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunner.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE PLACING

#### Number of Shares Initially Offered

Subject to the reallocation as described above, the number of Shares to be initially offered under the Placing will be 60,750,000 Shares, representing 90% of the Offer Shares under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

#### Allocation

Pursuant to the Placing Underwriting Agreement, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed with certain professional and institutional investors and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of the Shareholders as a whole.

Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

### PRICING AND ALLOCATION

#### Determining the Offer Price

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the Placing which they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, 21 March 2018, by agreement between the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

### **Offer Price Range**

The Offer Price will be not more than HK\$1.2 per Share and is expected to be not less than HK\$1.0 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

### **Price payable on application**

Applicants for the Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.2 for each Public Offer Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), amounting to a total of HK\$2,424.18 for each board lot of 2,000 Shares. If the Offer Price is less than HK\$1.2, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company, the Sole Bookrunner, the Sole Lead Manager (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Tuesday, 27 March 2018, the Share Offer will not proceed and will lapse.

### **Reduction in Indicative Offer Price Range and/or Number of Offer Shares**

The Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Underwriters), may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative offer price range and/or the number of Offer Shares below those stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Ming Pao Daily News (in Chinese) and posted on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company ([www.mostkwaichung.com](http://www.mostkwaichung.com)) notices of the reduction. Upon issue of such a notice, the revised indicative offer price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company will be fixed within such revised range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Sole Bookrunner may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Bookrunner.

### **Announcement of Offer Price and Basis of Allocations**

The final Offer Price, the level of indication of interest in the Placing, the level of applications in respect of the Public Offer and the basis of allotment of the Public Offer Shares are expected to be announced on Tuesday, 27 March 2018 in The Standard (in English) and Ming Pao Daily News (in Chinese) and to be posted on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company ([www.mostkwaichung.com](http://www.mostkwaichung.com)).

### **UNDERWRITING**

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters) agreeing on the Offer Price.

We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date.

These underwriting arrangements, and the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional on:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (subject only to allotment) and the options which may be granted under the Share Option Scheme and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been duly agreed between us, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Underwriters);
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

**If, for any reason, the Offer Price is not agreed between our Company, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Underwriters) on or before Tuesday, 27 March 2018, the Share Offer will not proceed and will lapse.**

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us in The Standard (in English) and Ming Pao Daily News (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the paragraph headed “How to apply for the Public Offer Shares – 14. Dispatch/Collection of Share certificates and refund monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 28 March 2018, provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus has not been exercised.

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## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

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### **ADMISSION OF THE SHARES INTO CCASS**

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for the Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via **eWhite Form** service at **www.ewhiteform.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the **eWhite Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder); and
- are not a legal or natural person of the PRC.

If you apply online through the **eWhite Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card member; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Sponsor, the Sole Bookrunner, or the Sole Lead Manager may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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The number of joint applicants may not exceed four and they may not apply by means of **eWhite Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or the chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR THE PUBLIC OFFER SHARES

#### Which application channel to use

For the Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.ewhiteform.com.hk](http://www.ewhiteform.com.hk).

For the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 16 March 2018 until 12:00 noon on Wednesday, 21 March 2018 from:

- (i) any of the following offices of the Underwriters:
  - Ever-Long Securities Company Limited at 18/F, Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong;
  - CNI Securities Group Limited at 10/F, Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong; and
  - Chief Securities Limited at 14/F, Man Yee Building, 68 Des Voeux Central, Hong Kong.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (ii) or any of the following branches of The Bank of East Asia, Limited, the receiving bank for the Public Offer:

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	North Point Branch	326-328 King's Road, North Point
Kowloon	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong
New Territories	Sha Tin Plaza Branch	Shop 3-4, Level 1, Shatin Plaza, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 16 March 2018 until 12:00 noon on Wednesday, 21 March 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### **Time for lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited – Most Kwai Chung Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

**Friday, 16 March 2018 – 9:00 a.m. to 5:00 p.m.**  
**Saturday, 17 March 2018 – 9:00 a.m. to 1:00 p.m.**  
**Monday, 19 March 2018 – 9:00 a.m. to 5:00 p.m.**  
**Tuesday, 20 March 2018 – 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 21 March 2018 – 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 21 March 2018, the last application day or such later time as described in "10. Effect of bad weather on the opening of the application lists" in this section.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **eWhite Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) warrant that the information you have provided is true and accurate;
- (xiii) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xiv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s)/or any e-Auto Refund payment instructions to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have applied for 1,000,000 Offer Shares or more who are eligible to collect your share certificate(s) and/or refund cheque(s) (when applicable) in person;
- (xv) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvi) understand that our Company and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **eWhite Form** Service Provider by you or by any one as your agent or by any other person; and
- (xviii) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## 5. APPLYING THROUGH eWHITE FORM SERVICE

### General

Individuals who meet the criteria in “Who can apply” section, may apply through the **eWhite Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.ewhiteform.com.hk**.

Detailed instructions for application through the **eWhite Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **eWhite Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **eWhite Form** service.

### Time for Submitting Applications under the eWhite Form

You may submit your application to the **eWhite Form** Service Provider at **www.ewhiteform.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 16 March 2018 until 11:30 a.m. on Wednesday, 21 March 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 21 March 2018 or such later time under the “10. Effects of bad weather on the opening of the applications lists” in this section.

### No Multiple Applications

If you apply by means of **eWhite Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **eWhite Form** service to make an application for the Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **eWhite Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If you are suspected of submitting more than one application through the **eWhite Form** service or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F, One & Two Exchange Square 8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and our Hong Kong Branch Share Registrar.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for the Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### **Minimum Purchase Amount and Permitted Numbers**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 16 March 2018	–	9:00 a.m. to 8:30 <sup>(1)</sup> p.m.
Saturday, 17 March 2018	–	8:00 a.m. to 1:00 <sup>(1)</sup> p.m.
Monday, 19 March 2018	–	8:00 a.m. to 8:30 <sup>(1)</sup> p.m.
Tuesday, 20 March 2018	–	8:00 a.m. to 8:30 <sup>(1)</sup> p.m.
Wednesday, 21 March 2018	–	8:00 a.m. <sup>(1)</sup> to 12:00 noon

*Note:*

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 16 March 2018 until 12:00 noon on Wednesday, 21 March 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 21 March 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Personal Data

The section of the Application Form headed “Personal data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Public Offer Shares through the **eWhite Form** service is also only a facility provided by the **eWhite Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Sole Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **eWhite Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 21 March 2018 or such later time under the paragraph “10. Effect of bad weather on the opening of the application lists” in this section.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple application for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or through **eWhite Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **eWhite Form** service in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form or as otherwise specified on the designated website at [www.whiteform.com.hk](http://www.whiteform.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For details on the Offer Price, please see the section headed “Structure and conditions of the Share Offer” in this prospectus.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 21 March 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 21 March 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final offer price, level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 27 March 2018 in The Standard (in English) and Ming Pao Daily News (in Chinese) and on our Company’s website at **www.mostkwaichung.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong Identity Card/Passport/Hong Kong Business Registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.mostkwaichung.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 27 March 2018;
- from the designated results of allocations website at **www.whiteform.com.hk/results** with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Tuesday, 27 March 2018 to 12:00 midnight on Tuesday, 3 April 2018;
- by telephone enquiry line by calling (852)2153-1688 between 9:00 a.m. and 6:00 p.m. from Tuesday, 27 March 2018 to Friday, 6 April 2018 on a Business Day (excluding Saturday, Sunday and Public Holidays);
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 27 March 2018 to Tuesday, 3 April 2018 at all the receiving bank designated branches.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section “Structure and conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

- (i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **eWhite Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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(ii) If the Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the **eWhite Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **eWhite Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.2 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section “Structure and conditions of the Share Offer – Conditions of the Public Offer” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 27 March 2018.

### 14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum offer price of HK\$1.2 per Offer Share (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or Tuesday, 27 March 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 28 March 2018 provided that the Share Offer has become unconditional and the right of termination described in the section "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 27 March 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 27 March 2018, by ordinary post and at your own risk.

#### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 27 March, 2018, by ordinary post and at your own risk.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 27 March 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 27 March 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### *(iii) If you apply through the eWhite Form service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 27 March 2018, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, 27 March 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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(iv) *If you apply via Electronic Application instructions to HKSCC*

*Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 27 March 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph "11. Publication of results" in this section on Tuesday, 27 March 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 27 March 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 27 March 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum offer price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 27 March 2018.
- No interest will be paid thereon.

### 15. ADMISSION OF THE SHARES INTO CCASS

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

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

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

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MOST KWAI CHUNG LIMITED AND EVER-LONG SECURITIES COMPANY LIMITED**

***Introduction***

We report on the historical financial information of Most Kwai Chung Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-44, which comprises the consolidated balance sheets as at 31 March 2015, 2016 and 2017 and 30 November 2017, the Company balance sheet as at 30 November 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-44 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 16 March 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

***Directors' responsibility for the Historical Financial Information***

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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***Reporting accountant's responsibility***

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Opinion***

In our opinion, the Historical Financial Information gives, for the purposes of the Accountant's Report, a true and fair view of the financial position of the Company as at 30 November 2017, the consolidated financial position of the Group as at 31 March 2015, 2016 and 2017 and 30 November 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

***Review of stub period comparative financial information***

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the eight months ended 30 November 2016 and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standards on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

***Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***

#### ***Adjustments***

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

#### ***Dividends***

We refer to Note 25 to the Historical Financial Information which contains information about the dividends paid by Most Kwai Chung Limited in respect of the Track Record Period.

#### **No statutory financial statements for the Company**

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong

16 March 2018

**I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of the Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this Accountant's Report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 March			Eight months ended	
		2015	2016	2017	30 November	
		HK\$'000	HK\$'000	HK\$'000	2016	2017
				HK\$'000	HK\$'000	
				(Unaudited)		
Revenue	5	23,986	54,825	95,228	76,125	55,316
Cost of sales	6	(8,823)	(18,493)	(36,958)	(26,085)	(27,338)
<b>Gross profit</b>		15,163	36,332	58,270	50,040	27,978
Other income	7	24	22	24	12	11
Other loss	8	–	–	(36)	(36)	(4)
Selling and distribution expenses	6	(3,231)	(4,444)	(6,832)	(4,903)	(3,801)
Administrative expenses	6	(2,666)	(5,195)	(7,949)	(5,875)	(15,774)
		9,290	26,715	43,477	39,238	8,410
Finance income		32	14	–	–	–
<b>Profit before income tax</b>		9,322	26,729	43,477	39,238	8,410
Income tax expenses	10	(1,504)	(4,329)	(7,214)	(6,510)	(3,243)
Profit and total comprehensive income attributable to owners of the Company for the year/period		<u>7,818</u>	<u>22,400</u>	<u>36,263</u>	<u>32,728</u>	<u>5,167</u>
Basic and diluted earnings per share for profit attributable to owners of the Company	11	<u>130.30</u>	<u>373.33</u>	<u>604.38</u>	<u>545.47</u>	<u>86.12</u>

*The earnings per share presented above has not been taken into account the proposed capitalisation issue pursuant to the resolutions in writing of the shareholders passed on 2 March 2018 because the proposed capitalisation issue has not become effective as at the date of this report.*

## CONSOLIDATED BALANCE SHEETS

	Note	As at 31 March			As at
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	30 November 2017 HK\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	724	1,222	1,243	1,186
Prepayments and deposits	14	114	114	160	697
		838	1,336	1,403	1,883
<b>Current assets</b>					
Inventories	15	570	987	606	886
Trade receivables	17	6,341	16,858	13,670	16,559
Prepayments and deposits	14	222	1,227	1,367	3,443
Current income tax recoverables		–	284	1,284	1,284
Cash and cash equivalents	16	10,986	15,113	22,150	26,945
		18,119	34,469	39,077	49,117
<b>Total assets</b>		<b>18,957</b>	<b>35,805</b>	<b>40,480</b>	<b>51,000</b>
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	27(b)	–	–	–	–
Reserves	18	1,000	1,000	1,000	997
Retained earnings		15,668	28,068	29,331	12,498
<b>Total equity</b>		<b>16,668</b>	<b>29,068</b>	<b>30,331</b>	<b>13,495</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred income tax liabilities	21	35	88	84	108
<b>Current liabilities</b>					
Trade payables	19	679	983	742	533
Other payables and accruals	20	802	2,330	2,334	5,595
Dividend payable		–	–	–	22,000
Receipts in advance		308	260	2,486	1,801
Amounts due to directors	24(a)	90	90	90	3
Current income tax liabilities		375	2,986	4,413	7,465
		2,254	6,649	10,065	37,397
<b>Total liabilities</b>		<b>2,289</b>	<b>6,737</b>	<b>10,149</b>	<b>37,505</b>
<b>Total equity and liabilities</b>		<b>18,957</b>	<b>35,805</b>	<b>40,480</b>	<b>51,000</b>

## BALANCE SHEET

	<i>Note</i>	<b>As at 30 November 2017 HK\$'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in a subsidiary	27(a)	14,444 -----
<b>Total assets</b>		<b>14,444</b> =====
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	27(b)	-
Reserves	27(c)	14,444 =====
<b>Total equity</b>		<b>14,444</b> =====

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Attributable to owners of the Company			Total Equity HK\$'000
		Share capital HK\$'000	Reserves HK\$'000	Retained earnings HK\$'000	
<b>Balance as at 1 April 2014 (Unaudited)</b>		–	1,000	8,250	9,250
Profit for the year		–	–	7,818	7,818
<b>Total comprehensive income</b>		–	–	7,818	7,818
<b>Transaction with owners</b>					
Dividends	25	–	–	(400)	(400)
<b>Total transaction with owners</b>		–	–	(400)	(400)
<b>Balance as at 31 March 2015</b>		–	1,000	15,668	16,668
<b>Balance as at 1 April 2015</b>		–	1,000	15,668	16,668
Profit for the year		–	–	22,400	22,400
<b>Total comprehensive income</b>		–	–	22,400	22,400
<b>Transaction with owners</b>					
Dividends	25	–	–	(10,000)	(10,000)
<b>Total transaction with owners</b>		–	–	(10,000)	(10,000)
<b>Balance as at 31 March 2016</b>		–	1,000	28,068	29,068
<b>Balance as at 1 April 2016</b>		–	1,000	28,068	29,068
Profit for the year		–	–	36,263	36,263
<b>Total comprehensive income</b>		–	–	36,263	36,263
<b>Transaction with owners</b>					
Dividends	25	–	–	(35,000)	(35,000)
<b>Total transaction with owners</b>		–	–	(35,000)	(35,000)
<b>Balance as at 31 March 2017</b>		–	1,000	29,331	30,331

		Attributable to owners of the Company			
	<i>Note</i>	Share capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
<b>Balance as at 1 April 2017</b>		–	1,000	29,331	30,331
<b>Comprehensive income</b>					
Profit for the period		–	–	5,167	5,167
<b>Total comprehensive income</b>		–	–	5,167	5,167
<b>Transactions with owners</b>					
Dividends	25	–	–	(22,000)	(22,000)
Incorporation of the Company	27(b)	–	–	–	–
Completion of Reorganisation		–	(3)	–	(3)
<b>Total transactions with owners</b>		–	(3)	(22,000)	(22,003)
<b>Balance as at 30 November 2017</b>		–	997	12,498	13,495
<b>(Unaudited) Balance as at 1 April 2016</b>		–	1,000	28,068	29,068
Profit for the period		–	–	32,728	32,728
<b>Total comprehensive income</b>		–	–	32,728	32,728
<b>Transaction with owners</b>					
Dividends	25	–	–	(10,000)	(10,000)
<b>Total transaction with owners</b>		–	–	(10,000)	(10,000)
<b>Balance as at 30 November 2016</b>		–	1,000	50,796	51,796

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 March			Eight months ended 30 November	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
<b>Cash flows from operating activities</b>						
Cash generated from operations	22(a)	5,780	16,997	49,460	32,886	7,865
Income tax paid		(2,007)	(1,949)	(6,791)	(999)	(167)
Net cash generated from operating activities		<u>3,773</u>	<u>15,048</u>	<u>42,669</u>	<u>31,887</u>	<u>7,698</u>
<b>Cash flows from investing activities</b>						
Interest received		32	14	-	-	-
Purchase of property, plant and equipment		(741)	(935)	(644)	(568)	(650)
Proceeds from disposal of property, plant and equipment	22(b)	-	-	12	12	7
Net cash used in investing activities		<u>(709)</u>	<u>(921)</u>	<u>(632)</u>	<u>(556)</u>	<u>(643)</u>
<b>Cash flows from financing activities</b>						
Dividend paid		(400)	(10,000)	(35,000)	(10,000)	-
Capital contribution	22(c)	757	-	-	-	-
Listing expenses paid		-	-	-	-	(2,260)
Net cash generated from/(used in) financing activities		<u>357</u>	<u>(10,000)</u>	<u>(35,000)</u>	<u>(10,000)</u>	<u>(2,260)</u>
<b>Net increase in cash and cash equivalents</b>						
Cash and cash equivalents at beginning of the year/period		<u>7,565</u>	<u>10,986</u>	<u>15,113</u>	<u>15,113</u>	<u>22,150</u>
Cash and cash equivalents at end of the year/period	16	<u><u>10,986</u></u>	<u><u>15,113</u></u>	<u><u>22,150</u></u>	<u><u>36,444</u></u>	<u><u>26,945</u></u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

#### 1.1 General information

Most Kwai Chung Limited (“the Company”) was incorporated in the Cayman Islands on 8 June 2017 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Uglan House Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries now comprising the Group are principally engaged in provision of creative multi-media services, advertising service and sales of periodicals and books (the “Listing Business”).

The ultimate holding companies of the Group are Blackpaper Limited (BVI) (“Blackpaper BVI”) and Tronix Investment Limited (“Tronix Investment”) which own 90% and 10% equity interests in the Company, respectively. Tronix Investment is an indirect wholly-owned subsidiary of One Media Group Limited which is listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 426). The shareholders of the Blackpaper BVI are Iu Kar Ho (“Mr. Iu”), Luk Ka Chun (“Mr. Luk”) and Tsui Ka Ho (“Mr. Tsui”) (together, the “Ultimate Shareholders”) and each of the Ultimate Shareholders owns 33.33% equity interest in Blackpaper BVI.

#### 1.2 Reorganisation

In preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the following reorganisation activities (the “Reorganisation”) were carried out.

Prior to the incorporation of the Company and the completion of the Reorganisation, the Listing Business was carried out through Blackpaper Limited (“Blackpaper”) and its subsidiaries, namely, Whitepaper Publishing Limited (“Whitepaper Publishing”), General Manager Management Limited (“General Manager”), TV Most Broadcasts Limited (“TV Most Broadcasts”) and French Rotational Production Limited (“French Rotational”) (the subsidiaries of Blackpaper collectively referred as to the “Subsidiaries”) throughout the Track Record Period.

On 3 December 2013, Blackpaper has entered into contractual arrangements with the Ultimate Shareholders in which the decision-making rights, operating and financing activities of Whitepaper Publishing are ultimately controlled by Blackpaper. Blackpaper is also entitled to substantially all of the operating profits and residual benefits generated by Whitepaper Publishing in return that Blackpaper will bear all the direct and indirect costs and expenses of Whitepaper Publishing. In addition, Blackpaper can receive the cash flows derived from the operations of Whitepaper Publishing through the levying of consultancy fees. Based on the above, the directors regard Whitepaper Publishing as a subsidiary of Blackpaper.

The principal steps involved in the Reorganisation are summarised below:

*(i) Incorporation of Blackpaper BVI by the Ultimate Shareholders*

On 7 June 2017, Blackpaper BVI was incorporated in the British Virgin Islands (the “BVI”) and 1 share of US dollar (“US\$”) 1 each was allotted and issued at par to each of the Ultimate Shareholders.

*(ii) Incorporation of the Company by Blackpaper BVI*

On 8 June 2017, the Company was incorporated in the Cayman Islands and 1 subscriber share of HK\$0.01 of the Company was transferred at par to Blackpaper BVI.

On 23 June 2017, 8 shares of HK\$0.01 each of the Company were allotted and issued at par to Blackpaper BVI. On the same day, 1 share of HK\$0.01 of the Company were allotted and issued at par to Tronix Investment. Since then, the Company is owned by Blackpaper BVI and Tronix Investment as to 90% and 10% respectively.

*(iii) Incorporation of Most Kwai Chung (BVI) Limited (“Most BVI”) by the Company*

On 9 June 2017, Most BVI was incorporated in the BVI. On 23 June 2017, 1 share of US\$1.00 each was allotted and issued at par to the Company. Since then, Most BVI is a direct wholly-owned subsidiary of the Company.

**(iv) Incorporation of Number Eighteen Limited (BVI) (“Number Eighteen BVI”), General Productions Limited (“General Productions”), Most Multimedia Limited (“Most Multimedia”) and Most Publishing Limited (“Most Publishing”)**

On 12 June 2017, Number Eighteen BVI, General Productions, Most Multimedia and Most Publishing were incorporated in the BVI. On 23 June 2017, 1 share of US\$1.00 each of Number Eighteen BVI, General Productions, Most Multimedia and Most Publishing was allotted and issued at par to Most BVI. Since then, Number Eighteen BVI, General Productions, Most Multimedia and Most Publishing are indirect wholly-owned subsidiaries of the Company.

**(v) Acquisition of Number Eighteen Limited (“Number Eighteen”) by Number Eighteen (BVI)**

On 12 July 2017, Number Eighteen (BVI) acquired 100% equity interest in Number Eighteen from Blackpaper at a consideration of allotting and issuing 9 shares and 1 share of the Company to Blackpaper BVI and Tronix Investment respectively. Since then, Number Eighteen is an indirect wholly-owned subsidiary of the Company.

**(vi) Acquisitions of General Manager and French Rotational by General Productions**

On 12 July 2017 and on 12 September 2017, General Productions acquired 100% equity interest in General Manager from Blackpaper at a consideration of allotting and issuing 9 shares and 1 share of the Company to Blackpaper BVI and Tronix Investment respectively. Since then, General Manager is an indirect wholly-owned subsidiary of the Company.

On 12 July 2017, General Productions acquired 100% equity interest in French Rotational Production Limited (“French Rotational”) from Blackpaper at a consideration of allotting and issuing 9 shares and 1 share of the Company to Blackpaper BVI and Tronix Investment respectively. Since then, French Rotational is an indirect wholly-owned subsidiary of the Company.

**(vii) Acquisitions of TV Most Broadcasts and Blackpaper by Most Multimedia**

On 12 July 2017, Most Multimedia acquired 100% equity interest in TV Most Broadcasts from Blackpaper at a consideration of allotting and issuing 9 shares and 1 share of the Company to Blackpaper BVI and Tronix Investment respectively. Since then, TV Most Broadcasts is an indirect wholly-owned subsidiary of the Company.

On 13 July 2017, Most Multimedia acquired 100% equity interest in Blackpaper from the Ultimate Shareholders and Tronix Investment at a consideration of allotting and issuing 9 shares and 1 share of the Company to Blackpaper BVI and Tronix Investment respectively. Since then, Blackpaper is an indirect wholly-owned subsidiary of the Company.

**(viii) Acquisition of Whitepaper Publishing by Most Publishing**

On 12 July 2017, Most Publishing acquired 100% equity interest in Whitepaper Publishing from the Ultimate Shareholders at a consideration of HK\$2,442.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place and date of incorporation	Issued and fully paid capital	Attributable equity interest of the Group				As at date of this report	Principal activities/ place of operation
			31 March 2015	31 March 2016	31 March 2017	30 November 2017		
<b>Directly owned:</b>								
Most (BVI) (Note (i))	British Virgin Islands, 9 June 2017	US\$1	N/A	N/A	N/A	100%	100%	Investment holding, Hong Kong
<b>Indirectly owned:</b>								
Blackpaper (Note (ii))	Hong Kong, 30 November 2010	HK\$10	100%	100%	100%	100%	100%	Provision of creative multimedia services and advertising campaign and publication of periodicals and books, Hong Kong

Company name	Place and date of incorporation	Issued and fully paid capital	Attributable equity interest of the Group				As at date of this report	Principal activities/ place of operation
			2015	31 March 2016	2017	30 November 2017		
Whitepaper Publishing (Note (ii))	Hong Kong, 2 December 2013	HK\$3	100%	100%	100%	100%	100%	Publication of books, Hong Kong
General Manager (Note (iii))	Hong Kong, 20 August 2014	HK\$3	100%	100%	100%	100%	100%	Provision of artistes management and creative multimedia services, Hong Kong
TV Most Broadcasts (Note (iii))	Hong Kong, 16 March 2015	HK\$1	100%	100%	100%	100%	100%	Provision of creative multimedia services and advertising campaign, Hong Kong
Number Eighteen (previously known as "Most Records Limited")	Hong Kong, 3 May 2016	HK\$1	-	-	100%	100%	100%	Dormant
French Rotational (Note (iv))	Hong Kong, 24 March 2017	HK\$1	-	-	100%	100%	100%	Provision of advertising and promotion service, Hong Kong
Number Eighteen BVI (Note (i))	British Virgin Islands, 12 June 2017	US\$1	N/A	N/A	N/A	100%	100%	Investment holding, Hong Kong
General Productions (Note (i))	British Virgin Islands, 12 June 2017	US\$1	N/A	N/A	N/A	100%	100%	Investment holding, Hong Kong
Most Multimedia (Note (i))	British Virgin Islands, 12 June 2017	US\$1	N/A	N/A	N/A	100%	100%	Investment holding, Hong Kong
Most Publishing (Note (i))	British Virgin Islands, 12 June 2017	US\$1	N/A	N/A	N/A	100%	100%	Investment holding, Hong Kong

**Notes:**

- (i) No audited financial statements were issued as there was no statutory requirement.
- (ii) The statutory financial statements for the years ended 31 March 2015 and 2016 were audited by South China CPA Limited. The statutory financial statements for the year ended 31 March 2017 were audited by PricewaterhouseCoopers.
- (iii) The statutory financial statements for the period from the date of incorporation of the entities to 31 March 2016 were audited by South China CPA Limited. The statutory financial statements for the year ended 31 March 2017 were audited by PricewaterhouseCoopers.
- (iv) No statutory financial statements for the period ended 31 March 2017 is required as it was incorporated on 24 March 2017.

All companies now comprising the Group have adopted 31 March as their financial year end date.

### 1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business had been and continues to be conducted by Blackpaper and the Subsidiaries, which are directly controlled by Blackpaper of which the Ultimate Shareholders and Tronix Investment held 90% and 10% equity interests respectively during the Track Record Period. Pursuant to the Reorganisation, Blackpaper and the Subsidiaries together with the Listing Business were transferred to and held by the Company. The Company has not been involved in any business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business conducted by Blackpaper and the Subsidiaries and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Blackpaper and the Subsidiaries, with the results, assets and liabilities recognised and measured at the carrying amounts of the Listing Business under the consolidated financial statements for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Track Record Period presented, unless otherwise stated.

### 2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the directors of the Group to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

The following are new standards and amendments to standards which have been issued but are not effective and have not been early adopted. The Group plans to adopt these new standards when they become effective:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 28	Measuring an associate or joint venture at fair value	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
Amendments to HKFRS 1	Deletion of short-term exemptions for first-time adopters	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018
Amendments to HKFRS 15	Clarification to HKFRS 15 revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	<i>Note</i>
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC) Int-22	Foreign currency transactions and advance consideration	1 January 2018
HK (IFRIC) Int-23	Uncertainty over income tax treatments issued	1 January 2019

*Note:* The effective date was postponed indefinitely.

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management is in the process of assessing the impact of these standards, amendments and interpretations to existing HKFRS and set out below are the expected impact on the Group's financial performance and position:

HKFRS 9, 'Financial Instruments', introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. Management has performed assessment and expects that the implementation of HKFRS 9 would not result in any significant impacts on the Group's financial position and results of operation.

HKFRS 9, 'Financial Instruments', also addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Management assesses that adopting HKFRS 9 will not have a material impact to the Group's consolidated financial statements. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. Management has performed assessment and expects that the implementation of HKFRS 9 would not result in any significant impacts on the Group's financial position and results of operation.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. The directors of the Company has performed a preliminary assessment. Based on this assessment, it is noted that HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It changes the approach of revenue recognition from 'risks and rewards' to 'transfer of control'. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition timing and amount may arise when multiple performance obligations are identified and satisfied. The standard is effective for accounting periods beginning on or after 1 January 2018. Incremental costs to obtain a contract will be capitalised under HKFRS 15 if they are expected to be recovered in long term. This could result in additional deferred costs for certain contracts with customers which incur a commission or agency cost at the time of signing up a long term service contract. However, such costs may be expensed as incurred as a practical expedient if the amortisation period of the asset is one year or less. The contracts with customers entered into by the Group are normally for a term less than one year. Management has performed preliminary assessment on the implementation of HKFRS 15 and the initial result indicated that it would not result in any significant impact on the Group's financial position and results of operation other than changes on the disclosure.

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases. The standard replaces HKAS 17 'Leases' and related interpretations. The Group is a lessee of office premises, which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.17. The Group's future operating lease commitments, which are not reflected in the consolidated balance sheets, under non-cancellable operating lease of HK\$2,158,000 as at 30 November 2017, is set out in Note 23.

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated balance sheets. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in Group's consolidated balance sheets. Short-term leases of less than twelve months

and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the consolidated balance sheets. This will affect related ratios, such as increase in debt to capital ratio. In the statement of comprehensive income, leases will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year beginning on or after 1 January 2019, including the adjustment of prior years. It is expected that certain portion of these lease commitments will be required to be recognised in the consolidated balance sheet as right-of-use assets and lease liabilities.

The Group has disclosed its non-cancellable operating lease commitments in Note 23. As a result of the adoption of the new standard, there will be no operating lease commitment.

Nevertheless, it is expected that there will be no material impact on the financial position and performance of the Group as the total expenses to be recognised by us over the entire lease period and our total net profit over the lease period is not expected to be materially affected. The adoption of HKFRS 16 would not affect our total cash flows in respect of the leases.

For lessors, the accounting stays almost the same. Although the standard provides guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), this does not impact the Group as there are no such arrangements in place.

We are continuing to assess the specific magnitude of the adoption of HKFRS 16 to the relevant financial statement areas and will conduct a more detailed assessment on the impact as information become available closer to the planned initial date of the adoption of 1 January 2019.

The management of the Group anticipated that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

## 2.2 Subsidiaries

### 2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### (a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries now comprising the Group have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(b) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*(c) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

### 2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Computer equipment	20.00%
Furniture and fixtures	20.00%
Office equipment	30.00%
Leasehold improvements	33.33% or over the unexpired period of the lease, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment that are not ready to use are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Property, plant and equipment that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statements of comprehensive income.

## **2.5 Financial assets**

### **2.5.1 Classification**

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, deposits, and cash and cash equivalents in the consolidated balance sheets (Notes 2.8 and 2.10).

### **2.5.2 Recognition and measurement**

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

## **2.6 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## **2.7 Impairment of financial assets**

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

## **2.8 Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

## **2.9 Inventories**

Inventories comprise merchandise held for sales and are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## **2.10 Cash and cash equivalents**

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

## **2.11 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## **2.12 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## **2.13 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### (b) *Deferred income tax*

#### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### (c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and rebates.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group also offers certain arrangements whereby a customer can purchase a mixture of multiple service types with a single agreement. Where such multiple-element arrangements exist, the amount of revenue allocated to each element is based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

### (a) *Digital media services income*

Creative multimedia services income is recognised when the services are rendered or on the date of the relevant production is published or delivered.

### (b) *Sales of periodicals and books*

Revenue from sales of periodicals and books, net of trade discounts and returns, is recognised on the transfer of risks and reward of ownership, which generally coincides with the date of delivery.

(c) *Printed advertising income*

Advertising income, net of trade discounts, is recognised when the periodicals are published.

(d) *Performance income*

Performance income is recognised when the services are rendered.

(e) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

## 2.16 Employee benefits

(a) *Pension obligations*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Bonus plans*

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

## 2.17 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the profit or loss on a straight-line basis over the period of the lease.

## 2.18 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated balance sheets in the period in which the dividends are approved by the Operating Subsidiaries' shareholders or directors, where appropriate.

## 2.19 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose itself to a variety of financial risks: credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management according to the policies of the Group. Financial risks are identified and evaluated in close co-operation within the Group's Business.

##### (a) Credit risk

The Group is exposed to credit risk in relation to its cash at banks, short term bank deposits and trade receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade receivable by taking into account of the market conditions, customers' profiles and contractual terms to ensure that adequate impairment is made for the irrecoverable amounts.

Cash at banks and short term bank deposits deposited in banks with sound credit ratings. Given their sound credit ratings, the Group does not expect to have high credit risk in this respect.

##### (b) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents. The Group maintains its liquidity mainly through funding generated from the daily operation, the availability under committed credit lines and funding from shareholders.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of consolidated balance sheets to the contractual maturity date. The amounts disclosed in the table at the contractual undiscounted cash flows.

	As at 31 March			As at
	2015	2016	2017	30 November
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
<b>Within one year</b>				
Trade payables	679	983	742	533
Dividend payable	–	–	–	22,000
Other payables	194	301	325	2,671
	<u>873</u>	<u>1,284</u>	<u>1,067</u>	<u>25,204</u>
<b>Repayable on demand</b>				
Amounts due to directors	<u>90</u>	<u>90</u>	<u>90</u>	<u>3</u>

##### (c) Interest rate risk

The Group's interest rate risk arises primarily from cash at banks and short term bank deposits. Deposits at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's deposits are placed with authorised financial institutions and manages this risk by placing deposits at various maturities and interest rate terms. The Group currently does not hedge its exposure to cash flow and fair value interest rate risk. The Group analyses its interest rate exposure on a regular basis and will consider the interest rate exposure when enter into any financing, renewal of existing positions and alternative financing transactions.

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt or funding from shareholders.

As at 31 March 2015, 2016 and 2017 and 30 November 2017, the Group had no borrowings from bank and other financial institutions.

### 3.3 Fair value estimation

The carrying amounts of the Group's financial assets, including trade receivables, deposits and cash and cash equivalents; and the Group's financial liabilities including, trade payables, dividend payables, other payables and amounts due to directors, approximate their fair values due to their short maturities.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### 4.1 Impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectable. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivables recognised in the years in which such estimates have been changed.

### 4.2 Income taxes

The Group is subject to income tax in Hong Kong. Judgement is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### 4.3 Allocation of revenue for multiple-element transactions with customers

The Group's contracts with customers are multiple-element arrangements with combination of types of service element. The Group applies the relative fair value method to determine the fair value of each of the service element. The amount of revenue recognised upon the sale of these services is determined by considering the estimated fair values of each of the service element of the contract. Significant judgement is required in assessing the fair values of both of these elements by considering inter alia, standalone selling price and other observable market data. Changes in the estimated fair values may cause the revenue recognised for sales of services to change individually but not the total contract revenue from a specific customer throughout its contract term. The Group periodically re-assesses the fair values of the elements as a result of changes in market conditions.

## 5 REVENUE AND SEGMENT INFORMATION

The CODM has been identified as the Executive Directors of the Company. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the Group's operation from a business perspective and determine that the Group has three reportable operating segments as follows:

#### Digital media services

Digital media services represent provision of one-stop advertising solution packages under which the deliverables to customers are distributed on digital media platforms managed by the Group, third parties' TV channels, internet and physical advertising spaces, subject to the needs of the customers.

#### Print media services

Print media services represent advertorial production and advertisement placement services and sale of publications including books and magazines.

#### Other media services

Other media services represent advertising income generated from (i) displaying customers' advertisements and promoting their brands in events organised by the Group; (ii) sale of tickets of these events; and (iii) artistes management business, under which the Group's contracted artistes appeared in advertisements produced and events organised by the Group, as well as third party customers.

The CODM assesses the performance of the operating segments based on a measure of revenue and profit before income tax. The segment information provided to the CODM for the reportable segments for the Track Record Period is as follows:

#### Year ended 31 March 2015

	<b>Digital media services</b> <i>HK\$'000</i>	<b>Print media services</b> <i>HK\$'000</i>	<b>Other media services</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Revenue	–	23,809	177	23,986
Inter-segment transactions	–	–	–	–
Revenue from external customers	–	23,809	177	23,986
Segment profit before income tax	–	9,283	39	9,322
Income tax expenses				(1,504)
Profit for the year				<u>7,818</u>
Other information:				
Depreciation	–	173	–	173
Finance income	–	32	–	32

## Year ended 31 March 2016

	Digital media services HK\$'000	Print media services HK\$'000	Other media services HK\$'000	Total HK\$'000
Revenue	28,402	22,701	4,309	55,412
Inter-segment transactions	–	–	(587)	(587)
Revenue from external customers	28,402	22,701	3,722	54,825
Segment profit before income tax	16,629	7,689	2,411	26,729
Income tax expenses				(4,329)
Profit for the year				22,400
Other information: Depreciation	48	389	–	437
Finance income	–	14	–	14

## Year ended 31 March 2017

	Digital media services HK\$'000	Print media services HK\$'000	Other media services HK\$'000	Total HK\$'000
Revenue	74,478	9,826	13,530	97,834
Inter-segment transactions	–	–	(2,606)	(2,606)
Revenue from external customers	74,478	9,826	10,924	95,228
Segment profit/(loss) before income tax	36,173	(1,004)	8,308	43,477
Income tax expenses				(7,214)
Profit for the year				36,263
Other information: Depreciation	147	428	–	575

## Eight months ended 30 November 2017

	Digital media services <i>HK\$'000</i>	Print media services <i>HK\$'000</i>	Other media services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	50,550	4,565	1,051	56,166
Inter-segment transactions	–	–	(850)	(850)
Revenue from external customers	50,550	4,565	201	55,316
Segment profit/(loss) before income tax	19,797	(2,306)	101	17,592
Unallocated expenses				(9,182)
Income tax expenses				(3,243)
Profit for the period				5,167
Other information: Depreciation	131	261	–	392

## Eight months ended 30 November 2016

	Digital media services <i>HK\$'000</i>	Print media services <i>HK\$'000</i>	Other media services <i>HK\$'000</i>	Total <i>HK\$'000</i>
(Unaudited) Revenue	57,677	8,113	11,878	77,668
Inter-segment transactions	–	–	(1,543)	(1,543)
Revenue from external customers	57,677	8,113	10,335	76,125
Segment profit/(loss) before income tax	31,849	(353)	7,742	39,238
Income tax expenses				(6,510)
Profit for the period				32,728
Other information: Depreciation	89	280	–	369

All of the Group's activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis for the Track Record Period is presented.

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group.

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
				(Unaudited)	
Customer A	609	6,258	18,636	16,185	4,257
Customer B	2,509	6,618	6,039	5,431	2,480
Customer C	6,401	3,134	1,634	1,475	532
Customer D	4,502	3,332	1,692	1,424	920
Customer E	–	–	3,730	1,478	8,122
Customer F	1,387	4,792	5,611	5,194	5,665

## 6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
				(Unaudited)	
Cost of production	614	6,685	22,659	17,349	17,922
Cost of inventories	1,421	1,658	1,134	927	896
Inventory written off	–	–	551	–	–
Printing cost	3,100	2,788	1,681	1,201	851
Employee benefit expenses, including directors' emoluments (Notes 9 and 26)	4,620	13,312	21,147	14,338	14,661
Depreciation (Note 12)	173	437	575	369	392
Operating lease payments	195	399	545	341	451
Auditor's remuneration					
– Audit services	22	57	56	37	37
– Non-audit services	–	–	–	–	–
Professional fee	20	27	14	14	45
Agency and management fee (Note 24)	2,714	–	–	–	–
Accounting service fee (Note 24)	–	600	780	520	800
Advertising and promotion	262	72	42	18	14
Royalties	821	643	658	475	302
Travelling	97	279	508	319	538
Bad debts written off	–	–	150	–	–
Picture fee	355	343	96	70	48
Repairs and maintenance	25	27	173	153	124
Script fee	123	124	117	83	70
Internet expenses	14	249	238	212	81
Listing expenses	–	–	–	–	9,182
Others	144	432	615	437	499
Total cost of sales, selling and distribution expenses and administrative expenses	14,720	28,132	51,739	36,863	46,913

## 7 OTHER INCOME

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Disposal of wastage book	17	20	24	12	11
Membership fee income	7	2	–	–	–
	<u>24</u>	<u>22</u>	<u>24</u>	<u>12</u>	<u>11</u>

## 8 OTHER LOSS

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Loss on disposal of property, plant and equipment	–	–	36	36	4
	<u>–</u>	<u>–</u>	<u>36</u>	<u>36</u>	<u>4</u>

## 9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATIONS)

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Wages and salaries	4,086	9,614	15,253	9,967	11,350
Bonus	158	634	1,094	729	903
Commissions	–	2,308	3,656	3,008	1,714
Pension costs – defined contribution plans ( <i>Note a</i> )	179	434	670	415	524
Welfare and other expenses	197	322	474	219	170
	<u>4,620</u>	<u>13,312</u>	<u>21,147</u>	<u>14,338</u>	<u>14,661</u>
Total employee benefit expenses (including directors' remunerations)	<u>4,620</u>	<u>13,312</u>	<u>21,147</u>	<u>14,338</u>	<u>14,661</u>

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the defined contribution payments as disclosed above.

## (a) Pensions – defined contribution plans

No forfeited contribution is available to reduce the contribution payable in future year.

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group include three directors for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2016 and 2017, respectively, whose emoluments are reflected in the analysis presented in Note 26. The emoluments payable to the remaining two individuals for the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2016 and 2017 are as follows:

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Wages and salaries	556	586	486	324	346
Bonus	55	130	71	46	26
Commissions	–	840	1,818	1,487	1,067
Pension costs – defined contribution plans	28	30	36	20	24
	<u>639</u>	<u>1,586</u>	<u>2,411</u>	<u>1,877</u>	<u>1,463</u>

The emoluments fell within the following bands:

Emolument bands	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Nil – HK\$1,000,000	2	1	1	2	2
HK\$1,000,001 – HK\$1,500,000	–	1	–	–	–
HK\$1,500,001 – HK\$2,000,000	–	–	1	–	–
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**10 INCOME TAX EXPENSES**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for each of the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2016 and 2017.

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
<b>Current income tax</b>					
– Current tax – Hong Kong	1,503	4,276	7,218	6,507	3,219
– Over provision in prior year	(10)	–	–	–	–
	<u>1,493</u>	<u>4,276</u>	<u>7,218</u>	<u>6,507</u>	<u>3,219</u>
<b>Deferred income tax</b> (Note 21)	11	53	(4)	3	24
<b>Income tax expenses</b>	<u>1,504</u>	<u>4,329</u>	<u>7,214</u>	<u>6,510</u>	<u>3,243</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong standard rate of income tax as follows:

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Profit before income tax	9,322	26,729	43,477	39,238	8,410
Tax calculated at 16.5%	1,538	4,410	7,174	6,474	1,388
Tax effect of:					
Income not subject to tax	(5)	(2)	–	–	–
Expenses not deductible for tax purpose	1	1	10	36	1,555
Tax losses for which no deferred income tax asset was recognised	–	–	30	–	300
Tax rebate	(20)	(80)	–	–	–
Over provision in prior year	(10)	–	–	–	–
Income tax expenses	<u>1,504</u>	<u>4,329</u>	<u>7,214</u>	<u>6,510</u>	<u>3,243</u>

## 11 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share for the years ended 31 March 2015, 2016 and 2017 and for the eight months ended 30 November 2016 and 2017 is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	Year ended 31 March			Eight months ended 30 November	
	2015	2016	2017	2016 (Unaudited)	2017
Profit attributable to owners of the Company during the year/period (HK\$'000)	<u>7,818</u>	<u>22,400</u>	<u>36,263</u>	<u>32,728</u>	<u>5,167</u>
Weighted average number of ordinary shares in issue (Note)	<u>60</u>	<u>60</u>	<u>60</u>	<u>60</u>	<u>60</u>
Basic earnings per share (HK\$'000)	<u>130.30</u>	<u>373.33</u>	<u>604.38</u>	<u>545.47</u>	<u>86.12</u>

Note: In determining the weighted average number of ordinary shares, the 60 shares issued upon incorporation as detailed in Note 27(b) was treated as if it has been in issue since 1 April 2014.

The earnings per share presented above has not been taken into account the proposed capitalisation issue pursuant to the resolutions in writing of the shareholders passed on 2 March 2018 because the proposed capitalisation issue has not become effective as at the date of this report.

### (b) Diluted

The Company did not have any potential dilutive shares throughout the Track Record Period. Accordingly, diluted earnings per share is the same as the basic earnings per share.

## 12 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 1 April 2014</b>					
Cost	163	27	21	–	211
Accumulated depreciation	(37)	(9)	(9)	–	(55)
Net book amount	<u>126</u>	<u>18</u>	<u>12</u>	<u>–</u>	<u>156</u>
<b>Year ended 31 March 2015</b>					
Opening net book amount	126	18	12	–	156
Additions	84	87	117	453	741
Depreciation	(41)	(15)	(29)	(88)	(173)
Closing net book amount	<u>169</u>	<u>90</u>	<u>100</u>	<u>365</u>	<u>724</u>
<b>As at 31 March 2015</b>					
Cost	247	114	138	453	952
Accumulated depreciation	(78)	(24)	(38)	(88)	(228)
Net book amount	<u>169</u>	<u>90</u>	<u>100</u>	<u>365</u>	<u>724</u>
<b>Year ended 31 March 2016</b>					
Opening net book amount	169	90	100	365	724
Additions	553	44	194	144	935
Depreciation	(123)	(31)	(84)	(199)	(437)
Closing net book amount	<u>599</u>	<u>103</u>	<u>210</u>	<u>310</u>	<u>1,222</u>
<b>As at 31 March 2016</b>					
Cost	800	158	332	597	1,887
Accumulated depreciation	(201)	(55)	(122)	(287)	(665)
Net book amount	<u>599</u>	<u>103</u>	<u>210</u>	<u>310</u>	<u>1,222</u>
<b>Year ended 31 March 2017</b>					
Opening net book amount	599	103	210	310	1,222
Additions	307	–	180	157	644
Depreciation	(198)	(61)	(117)	(199)	(575)
Disposal	(48)	–	–	–	(48)
Closing net book amount	<u>660</u>	<u>42</u>	<u>273</u>	<u>268</u>	<u>1,243</u>
<b>As at 31 March 2017</b>					
Cost	1,036	158	512	754	2,460
Accumulated depreciation	(376)	(116)	(239)	(486)	(1,217)
Net book amount	<u>660</u>	<u>42</u>	<u>273</u>	<u>268</u>	<u>1,243</u>

	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
<b>Eight months ended</b>					
<b>30 November 2017</b>					
Opening net book amount	660	42	273	268	1,243
Additions	177	54	115	–	346
Depreciation	(139)	(38)	(103)	(112)	(392)
Disposal	(5)	–	(6)	–	(11)
Closing net book amount	<u>693</u>	<u>58</u>	<u>279</u>	<u>156</u>	<u>1,186</u>
<b>As at 30 November 2017</b>					
Cost	1,207	212	565	754	2,738
Accumulated depreciation	(514)	(154)	(286)	(598)	(1,552)
Net book amount	<u>693</u>	<u>58</u>	<u>279</u>	<u>156</u>	<u>1,186</u>
<b>(Unaudited)</b>					
<b>Eight months ended</b>					
<b>30 November 2016</b>					
Opening net book amount	599	103	210	310	1,222
Additions	307	–	104	157	568
Depreciation	(131)	(34)	(71)	(133)	(369)
Disposal	(48)	–	–	–	(48)
Closing net book amount	<u>727</u>	<u>69</u>	<u>243</u>	<u>334</u>	<u>1,373</u>
<b>As at 30 November 2016</b>					
Cost	1,036	158	436	753	2,383
Accumulated depreciation	(309)	(89)	(193)	(419)	(1,010)
Net book amount	<u>727</u>	<u>69</u>	<u>243</u>	<u>334</u>	<u>1,373</u>

All depreciation during the Track Record Period was charged to administrative expenses.

### 13 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables			As at
	2015 HK\$'000	As at 31 March 2016 HK\$'000	2017 HK\$'000	30 November 2017 HK\$'000
<b>Assets as per consolidated balance sheets</b>				
Trade receivables (Note 17)	6,341	16,858	13,670	16,559
Deposits (Note 14)	149	289	325	435
Cash and cash equivalents (Note 16)	10,986	15,113	22,150	26,945
	<u>17,476</u>	<u>32,260</u>	<u>36,145</u>	<u>43,939</u>

	Financial liabilities at amortised cost			As at
	2015	As at 31 March 2016	2017	30 November 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Liabilities as per consolidated balance sheets</b>				
Trade payables ( <i>Note 19</i> )	679	983	742	533
Dividend payable	–	–	–	22,000
Other payables ( <i>Note 20</i> )	194	301	325	2,671
Amounts due to directors ( <i>Note 24(a)</i> )	90	90	90	3
	<u>963</u>	<u>1,374</u>	<u>1,157</u>	<u>25,207</u>

**14 PREPAYMENTS AND DEPOSITS**

	As at 31 March			As at
	2015	2016	2017	30 November 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Current portion</b>				
Prepayments ( <i>Note (a)</i> )	187	1,052	1,202	3,401
Deposits	35	175	165	42
	<u>222</u>	<u>1,227</u>	<u>1,367</u>	<u>3,443</u>
<b>Non-current portion</b>				
Prepayments for property, plant and equipment	–	–	–	304
Deposits	114	114	160	393
	<u>114</u>	<u>114</u>	<u>160</u>	<u>697</u>
	<u>336</u>	<u>1,341</u>	<u>1,527</u>	<u>4,140</u>

As at 31 March 2015, 2016 and 2017 and 30 November 2017, the carrying amounts of deposits approximated their fair values.

The carrying amounts of the prepayments and deposits were denominated in HK\$.

*Note (a):*

As at 30 November 2017, prepayments amounted to approximately HK\$2,800,000 were incurred in connection with the listing of the Group and will be deducted from equity upon listing of the Group.

**15 INVENTORIES**

	As at 31 March			As at
	2015	2016	2017	30 November 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Books held for sale	<u>570</u>	<u>987</u>	<u>606</u>	<u>886</u>

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$1,421,000, HK\$1,658,000 and HK\$1,134,000, HK\$1,348,000 and HK\$1,322,000 for each of the years ended 31 March 2015, 2016 and 2017 and for the eight months ended 30 November 2016 and 2017, respectively.

Inventory written off amounted to HK\$551,000 was recognised in cost of sales for the year ended 31 March 2017.

#### 16 CASH AND CASH EQUIVALENTS

	<b>2015</b> <i>HK\$'000</i>	<b>As at 31 March</b> <b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>	<b>As at</b> <b>30 November</b> <b>2017</b> <i>HK\$'000</i>
Short-term bank deposits	6,032	–	–	–
Cash at banks	4,934	15,087	22,143	26,895
Cash on hand	20	26	7	50
	<u>10,986</u>	<u>15,113</u>	<u>22,150</u>	<u>26,945</u>
Cash and cash equivalents	<u>10,986</u>	<u>15,113</u>	<u>22,150</u>	<u>26,945</u>
Maximum exposure to credit risk	<u>10,966</u>	<u>15,087</u>	<u>22,143</u>	<u>26,895</u>

Cash and cash equivalents include the following for the purposes of the consolidated statements of cash flows:

	<b>2015</b> <i>HK\$'000</i>	<b>As at 31 March</b> <b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>	<b>As at</b> <b>30 November</b> <b>2017</b> <i>HK\$'000</i>
Cash and cash equivalents	<u>10,986</u>	<u>15,113</u>	<u>22,150</u>	<u>26,945</u>

Cash at banks earned interest at floating rates based on daily bank deposits rate. As at 31 March 2015, 2016 and 2017 and 30 November 2017, the carrying amounts of cash and cash equivalents approximated their fair values. The carrying amounts of the cash and cash equivalents were denominated in HK\$.

#### 17 TRADE RECEIVABLES

	<b>2015</b> <i>HK\$'000</i>	<b>As at 31 March</b> <b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>	<b>As at</b> <b>30 November</b> <b>2017</b> <i>HK\$'000</i>
Trade receivables	<u>6,341</u>	<u>16,858</u>	<u>13,670</u>	<u>16,599</u>

As at 31 March 2015, 2016 and 2017 and 30 November 2017, the carrying amounts of trade receivables approximated their fair values. The carrying amounts of the trade receivables were denominated in HK\$.

Credit period ranging from 0 days to 90 days were granted to our customers. As at 31 March 2015, 2016 and 2017 and 30 November 2017, the ageing analysis of trade receivables, based on invoice date, was as follows:

	<b>2015</b> <i>HK\$'000</i>	<b>As at 31 March</b> <b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>	<b>As at</b> <b>30 November</b> <b>2017</b> <i>HK\$'000</i>
Within 2 months	4,031	10,033	5,366	8,126
2 to 4 months	1,744	5,371	1,722	4,573
4 to 6 months	457	672	1,869	2,700
Over 6 months	109	782	4,713	1,160
	<u>6,341</u>	<u>16,858</u>	<u>13,670</u>	<u>16,599</u>

As at 31 March 2015, 2016 and 2017 and 30 November 2017, the ageing analysis of trade receivables, based on due date, was as follows:

	As at 31 March			As at
	2015	2016	2017	30 November
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Current	3,630	12,367	6,354	3,492
Within 2 months	2,373	3,450	900	7,934
2 to 4 months	229	210	1,689	3,485
4 to 6 months	109	765	1,731	788
Over 6 months	–	66	2,996	860
	<u>6,341</u>	<u>16,858</u>	<u>13,670</u>	<u>16,559</u>

As at 31 March 2015, 2016 and 2017 and 30 November 2017, trade receivables of approximately HK\$2,711,000, HK\$4,491,000 and HK\$7,316,000 and HK\$13,067,000, respectively were past due but not impaired. These relate to a number of independent customers for whom there are no recent history of default. The ageing analysis of these trade receivables was as follows:

	As at 31 March			As at
	2015	2016	2017	30 November
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Past due but not impaired by:				
– Within 2 months	2,373	3,450	900	7,934
– 2 to 4 months	229	210	1,689	3,485
– 4 to 6 months	109	765	1,731	788
– Over 6 months	–	66	2,996	860
	<u>2,711</u>	<u>4,491</u>	<u>7,316</u>	<u>13,067</u>

The maximum exposure to credit risk as at 31 March 2015, 2016 and 2017 and 30 November 2017 is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

## 18 RESERVES

The balance represented the combined capital of the companies now comprising the Group before completion of Reorganisation and other reserve.

## 19 TRADE PAYABLES

	As at 31 March			As at
	2015	2016	2017	30 November
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Trade payables	<u>679</u>	<u>983</u>	<u>742</u>	<u>533</u>

As at 31 March 2015, 2016 and 2017 and 30 November 2017, the ageing analysis of trade payables, based on invoice date, was as follows:

	As at 31 March			As at 30 November
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month	538	981	573	409
1 to 2 months	78	–	–	18
2 to 3 months	63	2	–	106
Over 3 months	–	–	169	–
	<u>679</u>	<u>983</u>	<u>742</u>	<u>533</u>

As at 31 March 2015, 2016 and 2017 and 30 November 2017, the carrying amounts of trade payables approximated their fair values. The carrying amounts of the trade payables are denominated in HK\$.

## 20 OTHER PAYABLES AND ACCRUALS

	As at 31 March			As at 30 November
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables ( <i>Note</i> )	194	301	325	2,671
Accruals	<u>608</u>	<u>2,029</u>	<u>2,009</u>	<u>2,924</u>
	<u>802</u>	<u>2,330</u>	<u>2,334</u>	<u>5,595</u>

As at 31 March 2015, 2016 and 2017 and 30 November 2017, the carrying amounts of other payables approximated their fair values. They were unsecured, interest free and repayable on demand. The carrying amounts of the other payables were denominated in HK\$.

*Note:*

As at 30 November 2017, other payables include listing expenses payable amounted to approximately HK\$2,159,000.

## 21 DEFERRED INCOME TAX

The analysis of deferred income tax liabilities is as follows:

	As at 31 March			As at 30 November
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax liabilities:				
– Deferred income tax liability to be recovered after more than 12 months	<u>35</u>	<u>88</u>	<u>84</u>	<u>108</u>
<b>Deferred income tax liabilities</b>	<u>35</u>	<u>88</u>	<u>84</u>	<u>108</u>

The gross movement on the deferred income tax account is as follows:

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
<b>Accelerated tax depreciation</b>					
As at beginning of year/period	24	35	88	88	84
Charged/(credited) to consolidated statements of comprehensive income ( <i>Note 10</i> )	11	53	(4)	3	24
<b>As at end of year/period</b>	<b>35</b>	<b>88</b>	<b>84</b>	<b>91</b>	<b>108</b>

As at 31 March 2017 and 30 November 2017, the Group did not recognise deferred income tax assets of HK\$30,000 and HK\$330,000, respectively, in respect of losses amounting to HK\$182,000 and HK\$2,001,000, respectively, that can be carried forward against future taxable income. These tax losses have no expiry date.

## 22 CASH GENERATED FROM OPERATIONS

### (a) Reconciliation of profit before income tax for the Track Record Period to cash generated from operations

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
<b>Profit before income tax</b>	9,322	26,729	43,477	39,238	8,410
Adjustments for:					
Finance income	(32)	(14)	–	–	–
Depreciation	173	437	575	369	392
Bad debts written off	–	–	150	–	–
Inventory written off	–	–	551	–	–
Loss on disposal of property, plant and equipment	–	–	36	36	4
	9,463	27,152	44,789	39,643	8,806
Changes in working capital:					
– Trade receivables	(4,430)	(10,517)	3,038	(9,770)	(2,889)
– Prepayments and deposits	(221)	(1,005)	(186)	(801)	(49)
– Inventories	(312)	(417)	(170)	(327)	(280)
– Trade payables	442	304	(241)	(262)	(209)
– Other payables and accruals	530	1,528	4	3,258	3,261
– Receipts in advance	308	(48)	2,226	1,145	(685)
– Amounts due to directors	–	–	–	–	(90)
<b>Cash generated from operations</b>	<b>5,780</b>	<b>16,997</b>	<b>49,460</b>	<b>32,886</b>	<b>7,865</b>

- (b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Net book amount	-	-	48	48	11
Loss on disposal of property, plant and equipment	-	-	(36)	(36)	(4)
Proceeds from disposal of property, plant and equipment	-	-	12	12	7

- (c) On 1 February 2012, Top Plus Limited ("Top Plus"), a wholly-owned subsidiary of One Media Group Limited, and Blackpaper entered into a subscription agreement, pursuant to which Top Plus agreed to subscribe for, and Blackpaper agreed to allot and issue, one share of Blackpaper. The consideration was determined to be HK\$1,000,000 plus a contingent amount which was based on the performance of Blackpaper for the two years ended 31 March 2013 and 2014.

On 2 May 2013, Top Plus transferred its one share in Blackpaper to Tronix Investment, which then assumed the contingent liability of Top Plus. As of 31 March 2014, the condition has been fulfilled and the capital contribution receivable amounted to HK\$757,000, which was calculated based on the accumulated profit generated by Blackpaper for the years ended 31 March 2013 and 2014, was recognised. The balance was settled during the year ended 31 March 2015.

## 23 COMMITMENTS

### Operating lease commitments – as lessee

At 31 March 2015, 2016 and 2017 and 30 November 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 March			As at 30 November
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
Within 1 year	264	457	674	1,043
After 1 year and no later than 5 years	309	237	842	1,115
	<u>573</u>	<u>694</u>	<u>1,516</u>	<u>2,158</u>

## 24 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The ultimate holding company and the Ultimate Shareholders are disclosed in Note 1.1.

Major related parties that had transactions with the Group during the Track Record Period were as follows:

<b>Related parties</b>	<b>Relationship with the Group As at 31 March 2015, 2016 and 2017 and 30 November 2017</b>
Ming Pao Newspapers Limited	Subsidiary of Media Chinese International Limited ("MCI"), a company with significant influence on the Group
Ming Pao Magazines Limited	Subsidiary of MCI
Mr. Iu	Director
Mr. Luk	Director
Mr. Tsui	Director

(a) **Balances with related parties**

	<b>2015</b>	<b>As at 31 March 2016</b>	<b>2017</b>	<b>As at 30 November 2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables from related parties				
Ming Pao Magazines Limited	4,102	–	–	–
Ming Pao Newspapers Limited	–	5	–	–
	<u>4,102</u>	<u>5</u>	<u>–</u>	<u>–</u>
Trade and other payables to related parties				
Ming Pao Magazines Limited	–	50	65	100
Ming Pao Newspapers Limited	–	–	12	2
	<u>–</u>	<u>50</u>	<u>77</u>	<u>102</u>
Other payables to directors				
Mr. Iu	54	43	16	284
Mr. Luk	32	127	12	1
Mr. Tsui	165	119	218	71
	<u>251</u>	<u>289</u>	<u>246</u>	<u>356</u>
Amounts due to directors				
Mr. Iu	30	30	30	1
Mr. Luk	30	30	30	1
Mr. Tsui	30	30	30	1
	<u>90</u>	<u>90</u>	<u>90</u>	<u>3</u>

The amounts due to directors were unsecured, non-trade in nature, interest free, repayable on demand and will be settled before listing. All balances with related parties were denominated in HK\$.

**(b) Transactions with related parties**

Save as disclosed elsewhere in this report, during the Track Record Period, the following transactions were carried out with related parties:

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Advertising income					
Ming Pao Newspapers Limited	<u>20</u>	<u>25</u>	<u>5</u>	<u>5</u>	<u>–</u>
Script fee income					
Ming Pao Newspapers Limited	<u>21</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Accounting service					
Ming Pao Magazines Limited	<u>–</u>	<u>(600)</u>	<u>(780)</u>	<u>(520)</u>	<u>(800)</u>
Agency and management fee					
Ming Pao Magazines Limited	<u>(2,714)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Production cost					
Ming Pao Newspapers Limited	<u>–</u>	<u>–</u>	<u>(12)</u>	<u>–</u>	<u>(12)</u>
Royalties					
Mr. Iu	(31)	(14)	(3)	(1)	(1)
Mr. Luk	(27)	(10)	(2)	(1)	–
Mr. Tsui	(138)	(152)	(258)	(141)	(74)
	<u>(196)</u>	<u>(176)</u>	<u>(263)</u>	<u>(143)</u>	<u>(75)</u>
System maintenance					
Ming Pao Magazines Limited	<u>–</u>	<u>–</u>	<u>(105)</u>	<u>(100)</u>	<u>(10)</u>

*Note:*

The pricing of these transactions was determined based on mutual negotiation and agreement between the Group and the related parties.

**(c) Key management compensation**

Key management includes directors and top management. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 March			Eight months ended 30 November	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
				(Unaudited)	
Wages and salaries	2,104	3,255	4,899	3,205	3,466
Bonus	36	130	245	163	66
Commission	–	840	1,294	1,046	628
Pension costs – defined contribution plan	78	95	101	65	72
	<u>2,218</u>	<u>4,320</u>	<u>6,539</u>	<u>4,479</u>	<u>4,232</u>

**25 DIVIDENDS**

Dividends during each of the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2016 and 2017 represented dividends declared by a subsidiary now comprising the Group to the then owners of a subsidiary for each of the years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2016 and 2017. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report. On 12 July 2017, a subsidiary now comprising the Group declared a special dividend of HK\$22,000,000 and the special dividend was settled by cash on 6 March 2018.

Save as the above, no other dividend has been paid or declared by the Company since its incorporation.

**26 BENEFITS AND INTERESTS OF DIRECTORS****(a) Directors' emoluments**

The remuneration of every director is set out below:

Name of Director	Directors' fees HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	Employer's contribution to pension scheme HK\$'000	Total HK\$'000
<b>Year ended 31 March 2015</b>					
Executive Directors					
– Mr. Iu	–	528	–	18	546
– Mr. Luk	–	528	–	18	546
– Mr. Tsui	–	528	–	18	546
	<u>–</u>	<u>1,584</u>	<u>–</u>	<u>54</u>	<u>1,638</u>
<b>Year ended 31 March 2016</b>					
Executive Directors					
– Mr. Iu	–	810	–	18	828
– Mr. Luk	–	810	–	18	828
– Mr. Tsui	–	810	–	18	828
	<u>–</u>	<u>2,430</u>	<u>–</u>	<u>54</u>	<u>2,484</u>

Name of Director	Directors' fees <i>HK\$'000</i>	Salaries <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2017</b>					
Executive Directors					
– Mr. Iu	–	1,296	–	18	1,314
– Mr. Luk	–	1,296	–	18	1,314
– Mr. Tsui	–	1,296	–	18	1,314
	–	3,888	–	54	3,942
<b>(Unaudited)</b>					
<b>Eight months ended 30 November 2016</b>					
Executive Directors					
– Mr. Iu	–	864	–	12	876
– Mr. Luk	–	864	–	12	876
– Mr. Tsui	–	864	–	12	876
	–	2,592	–	36	2,628
<b>Eight months ended 30 November 2017</b>					
Executive Directors					
– Mr. Iu	–	864	–	12	876
– Mr. Luk	–	864	–	12	876
– Mr. Tsui	–	864	–	12	876
	–	2,592	–	36	2,628

Mr. Iu, Mr. Luk and Mr. Tsui were appointed as executive directors of the Company on 8 June 2017. They were also the directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company on 8 June 2017.

Mr. Leung Wai Man, Mr. Ho Kwong Yu and Mr. Leung Ting Yuk were appointed as independent non-executive directors of the Company on 2 March 2018. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.

During the Track Record Period, none of the directors of the Company (i) received or paid any remuneration in respect of accepting office; (ii) received or paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiary undertaking; and (iii) waived or has agreed to waive any emolument.

**(b) Directors' retirement benefits and termination benefits**

During the Track Record Period, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable

**(c) Consideration provided to third parties for making available directors' services**

During the Track Record Period, no consideration was provided to third parties for making available directors' services.

**(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

During the Track Record Period, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

**(e) Directors' material interests in transactions, arrangements or contracts**

Except for disclosed in Notes 1.2 and 24(b), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

**27 NOTES TO THE BALANCE SHEET OF THE COMPANY****(a) Investment in a subsidiary**

	<b>As at 30 November 2017 HK\$'000</b>
Investment in unlisted shares, at cost	14,444

**(b) Share capital**

The Company was incorporated in the Cayman Islands on 8 June 2017. At the date of incorporation, the authorised share capital is HK\$380,000 comprising 38,000,000 ordinary shares of HK\$0.01 each. Upon completion of the Reorganisation, 54 and 6 shares of HK\$0.01 each were allotted and issued to Blackpaper BVI and Tronix respectively.

For the movement of share capital, please refer to below.

Authorised shares:

	<i>Number of shares</i>	<i>HK\$'000</i>
At 8 June 2017 (Date of Incorporation) and 30 November 2017	38,000,000	380

Ordinary shares, issued and fully paid:

	<i>Number of shares</i>	<i>HK\$'000</i>
At 8 June 2017 (Date of incorporation)	1	–
Completion of Reorganisation	59	–
At 30 November 2017	60	–

**(c) Reserve movement of the Company**

	<b>Other reserve HK\$'000</b>	<b>Accumulated losses HK\$'000</b>	<b>Total HK\$'000</b>
At 8 June 2017 (Date of incorporation)	–	–	–
Completion of Reorganisation	14,444	–	14,444
At 30 November 2017	14,444	–	14,444

*Note:* As part of the Reorganisation, the Company acquired interests in subsidiaries and assets and liabilities related to the Listing Business from the Ultimate Shareholders and Tronix Investment. As the Reorganisation is regarded as a continuance of the Listing Business under the Operating Companies, no fair value is applied to the acquired interests in subsidiaries and assets and liabilities related to the Listing Business. The difference between the consideration received from the equity holder and the par value of shares issued to the equity holder is recorded as other reserve.

**28 SUBSEQUENT EVENTS**

Save as disclosed elsewhere in this report, no significant event took place subsequent to 30 November 2017.

**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of a subsidiary now comprising the Group in respect of any period subsequent to 30 November 2017. Except as disclosed in Note 25 in Section II, no dividend or distribution has been declared, made or paid by the Company or any of a subsidiary now comprising the Group in respect of any period subsequent to 30 November 2017.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to the owners of the Company as of 30 November 2017 as if the Share Offer had taken place on 30 November 2017.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 November 2017 or at any future dates following the Share Offer.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 November 2017 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at 30 November 2017 <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share <i>HK\$</i> <i>(Note 4)</i>
Based on the Offer Price of HK\$1.00 per Share	13,495	55,509	69,004	0.26
Based on the Offer Price of HK\$1.20 per Share	13,495	68,535	82,030	0.30

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*Notes:*

- (1) The audited consolidated net tangible assets attributable to the owners of the Company as at 30 November 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 30 November 2017 of approximately HK\$13,495,000.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$1.00 per Share and HK\$1.20 per Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 270,000,000 Shares were in issue assuming that the Capitalisation Issue and the Share Offer have been completed on 30 November 2017 but take into no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and of any Shares which may be allotted and repurchased by the Company pursuant to the general mandates to issue or repurchase Shares granted to the Directors as described in the section headed "Share capital" in this prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 November 2017.

**B.    REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO  
FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Most Kwai Chung Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Most Kwai Chung Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 November 2017, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages II-1 to II-2 of the Company’s prospectus dated 16 March 2018, in connection with the proposed share offer of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed share offer of the shares of the Company on the Group’s financial position as at 30 November 2017 as if the proposed share offer of the shares of the Company had taken place at 30 November 2017. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial information for the year ended 30 November 2017, on which an Accountant’s Report has been published.

**Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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***Our Independence and Quality Control***

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed share offer of the shares of the Company at 30 November 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 16 March 2018

## SUMMARY OF THE CONSTITUTION OF THE COMPANY

### 1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 2 March 2018 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents delivered to the registrar of companies and available for inspection”.

### 2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 2 March 2018 and include provisions to the following effect:

#### 2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK\$3,800,000 divided into 380,000,000 shares of HK\$0.01 each.

#### 2.2 *Directors*

##### *(a) Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

*(b) Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

*(c) Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

*(d) Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

*(e) Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

*(f) Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the

Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
  - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or

otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

*(h) Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### 2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

### 2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### 2.5 *Alteration of capital*

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that

purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

#### ***2.6 Special resolution – majority required***

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

### *2.7 Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each

such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

### ***2.8 Annual general meetings***

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

### ***2.9 Accounts and audit***

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

#### ***2.10 Notice of meetings and business to be conducted thereat***

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

#### ***2.11 Transfer of shares***

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

#### ***2.12 Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements

imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

### ***2.13 Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

### ***2.14 Dividends and other methods of distribution***

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members

of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

### *2.15 Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

### *2.16 Calls on shares and forfeiture of shares*

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall

(subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

***2.17 Inspection of register of members***

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

***2.18 Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

***2.19 Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

### *2.20 Procedure on liquidation*

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

### *2.21 Untraceable members*

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

**SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION****1 Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**2 Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 June 2017 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

**3 Share Capital**

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;

- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

#### **4 Dividends and Distributions**

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

## **5 Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

## **6 Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

## **7 Disposal of Assets**

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

## **8 Accounting and Auditing Requirements**

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

## **9 Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

## **10 Inspection of Books and Records**

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

## **11 Special Resolutions**

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

## **12 Subsidiary Owning Shares in Parent**

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

### **13 Mergers and Consolidations**

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

### **14 Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

### **15 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder

to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

#### **16 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

#### **17 Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

#### **18 Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

#### **19 Taxation**

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

#### **20 Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**21 General**

Maples and Calder (Hong Kong) LLP, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the registrar of companies and available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 8 June 2017. Our Company has established a place of business in Hong Kong at Unit 5, 1/F, Block B, Tung Chun Industrial Building, 11-13 Tai Yuen Street, Kwai Chung, New Territories, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 25 July 2017. Mr. Iu and Mr. Luk have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and its constitution which comprises of the Memorandum and the Articles of Association. A summary of certain provisions of the Memorandum and the Articles of Association and relevant aspects of the Cayman Companies Law is set forth in Appendix V to this prospectus.

**2. Changes in the share capital of our Company**

The authorised share capital of our Company as of the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares with a par share of HK\$0.01 each.

On 8 June 2017, one Share was allotted and issued at par, credited as fully paid, to the initial subscriber, and such Share was transferred at par to Blackpaper BVI on the same date.

On 23 June 2017, eight Shares and one Share were allotted and issued at par, credited as fully paid, to Blackpaper BVI and Tronix Investment respectively.

Pursuant to the resolutions in writing of all our Shareholders passed on 2 March 2018, the authorised share capital of our Company was increased from HK\$380,000 to HK\$3,800,000 divided into 380,000,000 Shares with a par value of HK\$0.01 each by the creation of an additional 342,000,000 Shares ranking pari passu in all respects with the Shares then in issue.

Immediately following the Capitalisation Issue and completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$2,700,000 divided into 270,000,000 Shares, all fully paid or credited as fully paid and 110,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraph headed “A. Further information about our Company and our subsidiaries – 3. Resolutions in writing of all our Shareholders passed on 2 March 2018” below, there has been no alteration in the share capital of our Company since its incorporation.

**3. Resolutions in writing of all our Shareholders passed on 2 March 2018**

- (i) Pursuant to the resolutions in writing of all our Shareholders passed on 2 March 2018:
  - (a) our Company approved and adopted the Memorandum and Articles of Association which will come into effect upon Listing;
  - (b) the authorised share capital of the Company was increased from HK\$380,000 to HK\$3,800,000 divided into 380,000,000 Shares with a par value of HK\$0.01 each by the creation of an additional 342,000,000 Shares ranking pari passu in all respects with the Shares then in issue;
  - (c) conditional on (i) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue, Shares to be issued (pursuant to the Capitalisation Issue, the Share Offer and options which may be granted under the Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Lead Manager) (on behalf of the Underwriters) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:
    - (i) the Capitalisation Issue and the Share Offer were approved and our Directors were authorised to effect the same and to allot and issue new Shares pursuant to the Share Offer;
    - (ii) the proposed Listing was approved and our Directors were authorised to implement the Listing; and
    - (iii) the rules of the Share Option Scheme, the principal terms of which are set forth in the paragraph headed “D. Other information – 1. Share Option Scheme” in this appendix, were approved and adopted with effect from the Share Offer and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Share Option Scheme;
  - (d) subject to the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer, our Directors were authorised to allot and issue a total of 202,499,940 Shares credited as fully paid at par value to the holders of Shares on the register of members of our Company at the close of business on 2 March 2018 in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum

of HK\$2,024,999.4 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares;

- (e) a general unconditional mandate was granted to our Directors to, inter alia, allot, issue and deal with Shares, securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares or such convertible securities with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the Capitalisation Issue referred to in sub-paragraph (d) above and completion of the Share Offer.

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue, any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, specific authority granted by the Shareholders in general meeting or upon the exercise of options which may be granted under the Share Option Scheme. Such mandate will expire:

- (i) at the conclusion of the next annual general meeting of our Company;
- (ii) at the end of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or
- (iii) when revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever occurs first;

- (f) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the Capitalisation Issue and completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will expire:

- (i) at the conclusion of the next annual general meeting of our Company;

(ii) at the end of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or

(iii) when revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever occurs first; and

(g) the general unconditional mandate as mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the Capitalisation Issue and completion of the Share Offer, without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

#### **4. Reorganisation**

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. Please see the section headed “History, development and Reorganisation” in this prospectus for further details.

#### **5. Changes in the share capital of our subsidiaries**

The subsidiaries of our Company are listed in Note 1.2 of the Accountant’s Report, the text of which is set out in Appendix I to this prospectus. Save as disclosed in the section headed “History, development and Reorganisation” in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

#### **6. Particulars of our subsidiaries**

Particulars of our subsidiaries are set forth in Note 1.2 to the Accountant’s Report, the text of which is set forth in Appendix I to this prospectus.

## 7. Repurchase of Shares by our Company

### (a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

#### (i) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

*(Note:* Pursuant to the resolutions in writing of all our Shareholders passed on 2 March 2018, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following the Capitalisation Issue and completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.)

#### (ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange at a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

### (b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

### (c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of shares made for the purpose of the purchase or, subject to the Cayman Companies Law, and if authorised by the Articles of Association, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, and if authorised by the Articles of Association, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or its gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate is exercised in full.

**(d) *Share capital***

Exercise in full of the Repurchase Mandate, on the basis of 270,000,000 Shares in issue immediately after the Listing (but taking into no account of Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), could accordingly result in up to 27,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or
- (iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

**(e) *General***

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares since its incorporation.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Code if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following the Capitalisation Issue and completion of the Share Offer, then, without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 27,000,000 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). The shareholding percentage of each of Mr. Iu, Mr. Luk, Mr. Tsui and Blackpaper BVI, the Controlling Shareholder, will increase to approximately 77.5% of the issued share capital of our Company immediately following the full exercise of the Repurchase Mandate. In the event that the Repurchase Mandate is exercised in full, the number of Shares held by the public would fall below 25% of the total number of Shares in issue. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue may only be implemented with the approval of the Stock Exchange to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of our business) have been entered into by us within the two years preceding the date of this prospectus and are or may be material:

- (i) a share swap agreement dated 12 July 2017 entered into among Number Eighteen Limited (incorporated in the British Virgin Islands) ("**Number Eighteen BVI**"), Blackpaper Limited 黑紙有限公司 (incorporated in Hong Kong) ("**Blackpaper HK**") and Most Kwai Chung Limited 毛記葵涌有限公司, pursuant to which Blackpaper HK shall transfer one share in Number Eighteen Limited (incorporated in Hong Kong) ("**Number Eighteen HK**"), representing the entire issued share capital of Number Eighteen HK as at the date thereof, to Number Eighteen BVI in exchange for Most Kwai Chung Limited 毛記葵涌有限公司 (i) allotting and issuing

nine ordinary shares with par value of HK\$0.01 each in the share capital of Most Kwai Chung Limited 毛記葵涌有限公司, credited as fully paid, to Blackpaper Limited (incorporated in the British Virgin Islands) (“**Blackpaper BVI**”), and (ii) allotting and issuing one ordinary share with par value of HK\$0.01 each in the share capital of Most Kwai Chung Limited 毛記葵涌有限公司, credited as fully paid, to Tronix Investment Limited, respectively, as the consideration;

- (ii) a share swap agreement dated 12 July 2017 entered into among General Productions Limited, Blackpaper HK and Most Kwai Chung Limited 毛記葵涌有限公司, pursuant to which Blackpaper HK shall transfer one share in French Rotational Production Limited, representing the entire issued share capital of French Rotational Production Limited as at the date thereof, to General Productions Limited in exchange for Most Kwai Chung Limited 毛記葵涌有限公司 (i) allotting and issuing nine ordinary shares with par value of HK\$0.01 each in the share capital of Most Kwai Chung Limited 毛記葵涌有限公司, credited as fully paid, to Blackpaper BVI, and (ii) allotting and issuing one ordinary share with par value of HK\$0.01 each in the share capital of Most Kwai Chung Limited 毛記葵涌有限公司, credited as fully paid, to Tronix Investment Limited, respectively, as the consideration;
- (iii) a share swap agreement dated 12 July 2017 entered into among General Productions Limited, Blackpaper HK and Most Kwai Chung Limited 毛記葵涌有限公司, pursuant to which Blackpaper HK shall transfer one share in General Manager Management Limited 總經理人有限公司, representing the entire issued share capital of General Manager Management Limited 總經理人有限公司 as at the date thereof, to General Productions Limited in exchange for Most Kwai Chung Limited 毛記葵涌有限公司 (i) allotting and issuing nine ordinary shares with par value of HK\$0.01 each in the share capital of Most Kwai Chung Limited 毛記葵涌有限公司, credited as fully paid, to Blackpaper BVI, and (ii) allotting and issuing one ordinary share with par value of HK\$0.01 each in the share capital of Most Kwai Chung Limited 毛記葵涌有限公司, credited as fully paid, to Tronix Investment Limited, respectively, as the consideration (the “**Share Swap Agreement (General Manager)**”);
- (iv) a supplemental deed dated 12 September 2017 entered into among General Productions Limited, Blackpaper HK and Most Kwai Chung Limited 毛記葵涌有限公司, pursuant to which a defined term contained in the Share Swap Agreement (General Manager) was varied and superseded;
- (v) a share swap agreement dated 12 July 2017 entered into among Most Multimedia Limited, Blackpaper HK and Most Kwai Chung Limited 毛記葵涌有限公司, pursuant to which Blackpaper HK shall transfer one share in TV Most Broadcasts Limited 毛記電視廣播有限公司, representing the entire issued share capital of TV Most Broadcasts Limited 毛記電視廣播有限公司 as at the date thereof, to Most Multimedia Limited in exchange for Most Kwai Chung Limited 毛記葵涌有限公司 (i) allotting and issuing nine ordinary shares with par value of HK\$0.01 each in the

share capital of Most Kwai Chung Limited 毛記葵涌有限公司, credited as fully paid, to Blackpaper BVI, and (ii) allotting and issuing one ordinary share with par value of HK\$0.01 each in the share capital of Most Kwai Chung Limited 毛記葵涌有限公司, credited as fully paid, to Tronix Investment Limited, respectively, as the consideration;

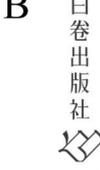
- (vi) a sale and purchase agreement dated 12 July 2017 entered into among Most Publishing Limited, Iu Kar Ho, Luk Ka Chun and Tsui Ka Ho, pursuant to which Iu Kar Ho, Luk Ka Chun and Tsui Ka Ho shall sell collectively three shares in Whitepaper Publishing Limited, representing the entire issued share capital of Whitepaper Publishing Limited as at the date thereof, to Most Publishing Limited at the aggregate consideration of HK\$2,442;
- (vii) a share swap agreement dated 13 July 2017 entered into among Most Multimedia Limited, Iu Kar Ho, Luk Ka Chun, Tsui Ka Ho, Tronix Investment Limited and Most Kwai Chung Limited 毛記葵涌有限公司, pursuant to which Iu Kar Ho, Luk Ka Chun, Tsui Ka Ho and Tronix Investment Limited shall transfer collectively ten shares in Blackpaper HK to Most Multimedia Limited in exchange for Most Kwai Chung Limited 毛記葵涌有限公司 (i) allotting and issuing nine ordinary shares with par value of HK\$0.01 each in the share capital of Most Kwai Chung Limited 毛記葵涌有限公司, credited as fully paid, to Blackpaper BVI, and (ii) allotting and issuing one ordinary share with par value of HK\$0.01 each in the share capital of Most Kwai Chung Limited 毛記葵涌有限公司, credited as fully paid, to Tronix Investment Limited, respectively, as the consideration;
- (viii) a deed of termination dated 25 July 2017 entered into among Iu Kar Ho, Luk Ka Chun, Tsui Ka Ho, Top Plus Limited, Tronix Investment Limited and Blackpaper Limited 黑紙有限公司, pursuant to which it was agreed that, among other things, (i) the shareholders' agreement entered into among Iu Kar Ho, Luk Ka Chun, Tsui Ka Ho, Top Plus Limited and Blackpaper Limited 黑紙有限公司 and (ii) a non-disclosure and non-compete undertaking executed by Iu Kar Ho, Luk Ka Chun and Tsui Ka Ho for the benefit of Top Plus Limited, both dated 1 February 2012, shall be cancelled and terminated with effect on and from the date of the listing of shares of Most Kwai Chung Limited 毛記葵涌有限公司 on The Stock Exchange of Hong Kong Limited;
- (ix) a termination agreement dated 25 July 2017 entered into between Ming Pao Magazines Limited and Blackpaper Limited 黑紙有限公司, pursuant to which it was agreed that the three accounting services agreements entered into between Ming Pao Magazines Limited and Blackpaper Limited 黑紙有限公司 on 1 April 2015, 1 April 2016 and 1 April 2017 respectively for the provision of accounting services to Blackpaper Limited 黑紙有限公司 by Ming Pao Magazines Limited shall be terminated with effect on the date of listing of shares of Most Kwai Chung Limited 毛記葵涌有限公司 on The Stock Exchange of Hong Kong Limited or 31 March 2018, whichever is earlier;

- (x) a deed of confirmation dated 17 November 2017 entered into between Ming Pao Magazines Limited and Blackpaper Limited 黑紙有限公司, pursuant to which it was acknowledged and confirmed that (i) the advertising representative agreement entered into between Ming Pao Magazines Limited and Blackpaper Limited 黑紙有限公司 on 1 February 2012 for the appointment of Ming Pao Magazines Limited as the sole and exclusive representative of Blackpaper Limited 黑紙有限公司 for the sale of advertising space in Blackpaper (黑紙) was terminated on 1 April 2015, and (ii) the range of services including sales agency, accounting and other administrative services provided by Ming Pao Magazines Limited to Blackpaper Limited 黑紙有限公司 to assist in operating the 100 Most Magazine (100毛) were terminated on 1 April 2015;
- (xi) a deed of confirmation dated 20 December 2017 given by Iu Kar Ho 姚家豪, Luk Ka Chun 陸家俊, Tsui Ka Ho 徐家豪 and Most Kwai Chung Limited in favour of Tronix Investment Limited, pursuant to which it was agreed that Tronix Investment Limited continued to have and could readily exercise in full the rights and interests over Most Kwai Chung Limited as stipulated in clauses 4.1, 4.8 and 4.13 to 4.15 of the shareholders' agreement entered into among Iu Kar Ho 姚家豪, Luk Ka Chun 陸家俊, Tsui Ka Ho 徐家豪, Top Plus Limited and Blackpaper Limited 黑紙有限公司 dated 1 February 2012 during the period commencing from 11 July 2017 and up to the date of listing of the shares of Most Kwai Chung Limited on The Stock Exchange of Hong Kong Limited;
- (xii) a deed of indemnity dated 6 March 2018 given by Iu Kar Ho (姚家豪), Luk Ka Chun (陸家俊), Tsui Ka Ho (徐家豪) and Blackpaper Limited in favour of Most Kwai Chung Limited (毛記葵涌有限公司) (for itself and as trustee for its subsidiaries), particulars of which are set out in the paragraph headed "D. Other information – 3. Tax and other indemnity" in this Appendix;
- (xiii) a deed of non-competition dated 6 March 2018 given by Blackpaper Limited, Iu Kar Ho (姚家豪), Luk Ka Chun (陸家俊) and Tsui Ka Ho (徐家豪) in favour of Most Kwai Chung Limited (毛記葵涌有限公司) (for itself and as trustee for its subsidiaries), particulars of which are set out in the section headed "Relationship with our Controlling Shareholders – Non-competition undertaking" in this prospectus; and
- (xiv) the Public Offer Underwriting Agreement.

## 2. Intellectual property rights of our Group

*Trademarks**(a) Trademarks for which registration has been granted*

As at the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Registration No.	Registered owner	Class <sup>Note</sup>	Valid Period
1	<p>A </p> <p>B </p> <p>C </p> <p>D </p>	Hong Kong	303287548	Blackpaper	9, 16, 35, 41	30 January 2015 to 29 January 2025
2	<p>A </p> <p>B </p> <p>C </p> <p>D </p>	Hong Kong	303287557	Blackpaper	9, 16, 35, 41	30 January 2015 to 29 January 2025
3	<p>A </p> <p>B </p> <p>C </p> <p>D </p>	Hong Kong	303375171	TV Most Broadcasts	9, 16, 35, 38, 41	16 April 2015 to 15 April 2025
4	<p>A </p> <p>B </p>	Hong Kong	303375162	Whitepaper Publishing	9, 16, 41	16 April 2015 to 15 April 2025
5	<p>A </p> <p>B </p> <p>C </p> <p>D </p>	Hong Kong	304186251	TV Most Broadcasts	9, 16, 35, 38, 41	27 June 2017 to 26 June 2027

No.	Trademark	Place of registration	Registration No.	Registered owner	Class <sup>Note</sup>	Valid Period
6	<p>A </p> <p><small>總經理人有限公司 GENERAL MANAGER MANAGEMENT LIMITED</small></p> <p>B </p> <p><small>總經理人有限公司 GENERAL MANAGER MANAGEMENT LIMITED</small></p>	Hong Kong	304163346	General Manager	9, 16, 35, 41	7 June 2017 to 6 June 2027
7	<p>A </p> <p>B </p>	Hong Kong	304163337	French Rotational	9, 35, 38, 41	7 June 2017 to 6 June 2027

*Note:* For details of the classification of goods for trademarks, please refer to the paragraph headed “B. Further information about our business – 2. Intellectual property rights of our Group – Trademarks – (b) Classification of goods for trademarks” in this appendix.

*(b) Classification of goods for trademarks*

The table below sets out the classification of goods for trademarks (the detailed classification in relation to the relevant trademarks depends on the specifications set out in the relevant trademark certificates and may differ from the list below):

Class Number	Goods
9	Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus.
16	Paper and cardboard; printed matter; bookbinding material; photographs; stationery and office requisites, except furniture; adhesives for stationery or household purposes; artistes’ and drawing materials; paintbrushes; instructional and teaching materials; plastic sheets, films and bags for wrapping and packaging; printers’ type, printing blocks.
35	Advertising; business management; business administration; office functions.

<b>Class Number</b>	<b>Goods</b>
38	Telecommunications.
41	Education; providing of training; entertainment; sporting and cultural activities.

### *Domain Names*

As of the Latest Practicable Date, we have registered the following domain names which we consider to be or may be material to our business:

<b>Domain Name</b>	<b>Registrant</b>	<b>Expiry Date</b>
www.whitepaper.com.hk	Blackpaper	8 August 2018
www.gmmanagement.com.hk	General Manager	16 November 2018
www.tvmost.com.hk	TV Most Broadcasts	13 January 2019
www.mostrecord.com.hk	Most Records	6 April 2018
www.frenchrotational.com.hk	French Rotational	5 April 2018
www.mostkwaichung.com	Blackpaper	22 June 2018
www.mostkwaichung.com.hk	Blackpaper	22 June 2018
www.mostkwaichunglimited.com	Blackpaper	22 June 2018
www.mostkwaichunglimited.com.hk	Blackpaper	22 June 2018
www.mostkwaichung.hk	Blackpaper	22 June 2018
www.mostkwaichunglimited.hk	Blackpaper	22 June 2018
www.100most.com.hk	Blackpaper	28 January 2019
www.blackpaper.com.hk	Blackpaper	25 November 2019

## **C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

### **1. Directors**

#### *(a) Disclosure of interest – interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following the Capitalisation Issue and completion of the Share Offer, without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interest or short position of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered

in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once the Shares are listed, are as follows:

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares<sup>(1)</sup></b>	<b>Approximate percentage of shareholding</b>
Mr. Iu	Interest of a controlled corporation <sup>(2)</sup>	182,250,000 (L)	67.5%
Mr. Luk	Interest of a controlled corporation <sup>(2)</sup>	182,250,000 (L)	67.5%
Mr. Tsui	Interest of a controlled corporation <sup>(2)</sup>	182,250,000 (L)	67.5%

*Notes:*

1. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.
2. Blackpaper BVI is legally and beneficially owned equally amongst Mr. Iu, Mr. Luk and Mr. Tsui. Under the SFO, each of Mr. Iu, Mr. Luk and Mr. Tsui is deemed to be interested in the 182,250,000 Shares held by Blackpaper BVI.

**(b) *Particulars of service contracts and letters of appointment***

Each of Mr. Iu, Mr. Luk and Mr. Tsui, being our executive Director, has entered into a service contract with our Company on 2 March 2018. Each service contract is for an initial term of three years commencing from the Listing Date.

Each of Mr. Ho Kwong Yu, Mr. Leung Ting Yuk and Mr. Leung Wai Man, being our independent non-executive Director, has entered into a letter of appointment with our Company on 2 March 2018. Each letter of appointment is for an initial term of three years commencing from the Listing Date.

**(c) *Directors' remuneration***

The aggregate amount of remuneration (including salaries and employer's contribution to pension scheme) paid to our Directors for the three years ended 31 March 2017 and the eight months ended 30 November 2017 were approximately HK\$1.6 million, HK\$2.5 million, HK\$3.9 million and HK\$2.6 million, respectively.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 March 2017 and the eight months ended 30 November 2017.

Save as disclosed under this paragraph, no other payments have been made or are payable in respect of the three years ended 31 March 2017 and the eight months ended 30 November 2017 by any member of our Group to any of our Directors.

Our independent non-executive Directors have been appointed for a term of three years. Our Company intends to pay a director's fee of HK\$150,000 per annum to each of the independent non-executive Directors.

Under the arrangements currently in force, the aggregate amount of remuneration payable by our Group to our Directors for the year ending 31 March 2018 will be HK\$3.9 million. During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the three years ended 31 March 2017 and the eight months ended 30 November 2017 for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

Further details of the terms of the above service contracts are set forth in the paragraph headed "C. Further information about our Directors and substantial shareholders – 1. Directors – (b) Particulars of service contracts and letters of appointment" in this appendix.

## **2. Substantial Shareholders**

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors are not aware of any person or entity who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have or be deemed or taken to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which is, directly or indirectly, interested in 10% or more of the issued voting shares in all circumstances at general meetings of our Company or any other member of our Group.

## **3. Personal Guarantees**

Save as disclosed in this prospectus, our Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to us.

## **4. Agency fees or commissions received**

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

## **5. Related-Party Transactions**

During the three years preceding the date of this prospectus, we were engaged in related party transactions as described in the Accountant's Report set out in Appendix I to this prospectus under the paragraph headed "II. Notes to the financial information – 24. Related party transactions".

**6. Disclaimers**

Save as disclosed in this prospectus:

- (a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;
- (b) none of our Directors or experts referred to under paragraph headed “D. Other Information – 10. Consent of Experts” in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Share Offer, none of our Directors or chief executive knows of any person (not being a Director or chief executive of our Company) who will, immediately following the Capitalisation Issue and completion of the Share Offer without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

## D. OTHER INFORMATION

### 1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of all our Shareholders on 2 March 2018.

#### *(a) Purpose*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors believe the Share Option Scheme will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

#### *(b) Who may join*

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares (collectively the “**Eligible Participants**”):

- (i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of our Group; and
- (ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors’ opinion as to the participant’s contribution to the development and growth of our Group.

(c) *Maximum number of Shares*

- (i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.
- (ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the aggregate of the Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, and such 10% limit represents 27,000,000 Shares (the “**General Scheme Limit**”).
- (iii) Subject to paragraph (i) above and without prejudice to paragraph (iv) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (iv) Subject to paragraph (i) above and without prejudice to paragraph (iii) above, the Company may seek separate Shareholders’ approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (iii) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the identified participants, the number and terms of options to be granted, the purpose of granting options to the identified participants with an explanation as to how the terms of the options serve such purpose and all other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(d) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised and outstanding options) to each

participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the “**Individual Limit**”). Any further grant of options to a participant in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders’ approval in general meeting of the Company with such participant and his close associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders’ approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

*(e) Grant of options to connected persons*

- (i) Any grant of options under the Share Option Scheme to any Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).
- (ii) Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
  - (1) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
  - (2) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of each grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

such further grant of options must be approved by our Shareholders in a general meeting. The Company must send a circular to its Shareholders no later than the date on which the Company gives notice of the general meeting to approve the Share Option Scheme. The grantees, their associates and all core connected persons of the Company must abstain from voting at such general meeting, except that they may vote against the relevant resolution at the general meeting provided that any of their intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any

change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in a general meeting.

***(f) Time of acceptance and exercise of option***

An option may be accepted by a participant to whom the offer is made within 5 business days from the date on which the letter containing the offer is delivered to that participant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than ten years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

***(g) Performance targets***

Unless our Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

***(h) Subscription price for Shares and consideration for the option***

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Share Offer shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant.

A nominal consideration of HK\$1 is payable upon acceptance of the grant of an option.

***(i) Ranking of Shares***

- (i) Shares allotted and issued upon the exercise of an option will be identical to the then existing issued shares of the Company and subject to all the provisions of the Memorandum and Articles of Association for the time being in force and

will rank pari passu in all respects with the fully paid Shares in issue on the date the name of the grantee is registered on the register of members of the Company or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register until the completion of the registration of the grantee on the register of members of the Company as the holder thereof.

- (ii) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a sub-division, consolidation, re-classification or re-construction of the share capital of the Company from time to time.

*(j) Restrictions on the time of grant of options*

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of our Directors (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of the Company’s results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (ii) the last date on which the Company must publish its announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no offer for grant of options may be made.

Our Directors may not grant any option to a participant who is a Director during the period or time in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

*(k) Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme is adopted.

***(l) Rights are personal to the grantee***

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option.

***(m) Rights on ceasing employment***

If the grantee of an option is an Eligible Participant and ceases to be an Eligible Participant for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (o) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was physically at work with our Group or the relevant subsidiary whether salary is paid in lieu of notice or not.

***(n) Rights on death, ill-health or retirement***

If the grantee of an option is an Eligible Participant and ceases to be an Eligible Participant by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was physically at work with our Group or the relevant subsidiary whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

***(o) Rights on dismissal***

If the grantee of an option is an Eligible Participant and ceases to be an Eligible Participant by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the relevant subsidiary into disrepute) or on any other ground on which an employer would be entitled to terminate his or her employment summarily, his option will lapse automatically and will not be exercisable on or after the date of ceasing to be an Eligible Participant.

***(p) Rights on breach of contract***

If our Directors shall at their absolute discretion determine that (i)(1) the grantee of any option (other than an Eligible Participant) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any relevant subsidiary on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (ii) the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in items (1), (2) or (3) in (i) above, his option will lapse automatically and will not be exercisable on or after the date on which our Directors have so determined.

***(q) Rights on a general offer, a compromise or arrangement***

If a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, a grantee shall be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be.

***(r) Rights on winding up***

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

*(s) Grantee being a company wholly owned by Eligible Participants*

If the grantee is a company wholly-owned by one or more Eligible Participants: sub-paragraphs (k), (m), (n) and (o) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (k), (m), (n) and (o) shall occur with respect to the relevant Eligible Participant, and the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant Eligible Participant provided that our Directors may in their absolute discretions decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

*(t) Adjustment to the subscription price*

In the event of a capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding adjustments (if any) certified by the auditors for the time being of or an independent financial adviser to the Company as fair and reasonable will be made to (i) the number or nominal amount of Shares to which the Share Option Scheme or any option relates, so far as unexercised, and/or (ii) the subscription price of the option concerned, and/or (iii) the method of exercise of the Option, provided that (1) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (2) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (3) no adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustments made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, but not limited to, the “Supplementary Guidance on Main Board Listing Rule 17.03(13) and the Note immediately after the Rule” attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

*(u) Cancellation of options*

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by our Shareholders pursuant to sub-paragraphs (c) (iii) and (iv) above.

(v) *Termination of the Share Option Scheme*

The Company by ordinary resolution in a general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further options shall be offered or granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period referred to in sub-paragraph (f);
- (ii) the date or the expiry of the periods or dates referred to in sub-paragraphs (k), (m), (n), (o), (q) and (r);
- (iii) the date on which the grantee commits a breach of the provision which restricts the grantee to transfer or assign an option granted under the Share Option Scheme or sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to any option except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of this scheme;
- (iv) the date on which the grantee (being an employee or a director of any member of our Group) ceases to be an Eligible Participant of the Share Option Scheme by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;
- (v) the date on which the grantee joins a company which the Board believes in its sole and reasonable opinion to be a competitor of the Company;
- (vi) the date on which the grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally; and

- (vii) unless our Board otherwise determines, and other than in the circumstances referred to in sub-paragraphs (m) or (n), the date the grantee ceases to be an Eligible Participant (as determined by a Board resolution) for any other reason.

(x) *Others*

- (i) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting or agreeing to grant approval of (subject to such condition as the Stock Exchange may impose) the listing of and permission to deal in such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number representing the General Scheme Limit. Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.
- (ii) The terms and conditions of the Share Option Scheme relating to the matters set forth in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of our Shareholders in a general meeting.
- (iii) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in a general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iv) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (v) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by our Shareholders in a general meeting.

(y) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

(z) *Grant of options*

As of the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

**2. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

**3. Tax and Other Indemnity**

Our Controlling Shareholders (together, the “**Indemnifiers**”) have entered into a deed of indemnity in favour of our Group (being a material contract referred to in the paragraph headed “B. Further information about our business – 1. Summary of material contracts” in this appendix) to provide the indemnities on a joint and several basis in respect of, among other things, taxation resulting from profits or gains earned, accrued or received on or before the date when the Share Offer becomes unconditional.

**4. Litigation**

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this prospectus and so far as our Directors are aware, no member of the Group is involved in any litigation, arbitration or claim of material effect and no litigation or claim of material importance (to our Group’s financial condition or business) is pending or threatened against any member of our Group.

**5. Sole Sponsor**

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The amount of fees payable to the Sole Sponsor by our Company is HK\$3.6 million.

**6. Preliminary Expenses**

Our preliminary expenses are estimated to be approximately HK\$193,000 and are payable by our Company.

**7. Promoter**

We do not have any promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given nor are any proposed cash, securities or other benefits to be paid, allotted or given to any promoters.

**8. Taxation of holders of Shares*****(a) Hong Kong***

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after 11 February 2006.

***(b) Cayman Islands***

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

***(c) Consultation with professional advisers***

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercise of any rights attaching to them.

## 9. Qualifications of Experts

The followings are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
Ever-Long Securities Company Limited	A corporation licenced by the SFC to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Maples and Calder (Hong Kong) LLP	Legal advisers as to Cayman Islands law
Ipsos Limited	Industry consultant
Moore Stephens Consulting Limited	Internal control consultant
Mr. Leung Wai-Keung, Richard	Barrister-at-law in Hong Kong

## 10. Consent of Experts

Each of the experts as referred to in the paragraph headed “D. Other information – 9. Qualifications of experts” above in this Appendix has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of values and/or valuation certificates and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

## 11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## 12. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**13. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries had been under option or agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
  - (iv) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any outstanding debentures in our Company or any of our subsidiaries;
- (c) save as disclosed in this prospectus, none of the persons named under the paragraph headed “D. Other Information – 10. Consent of Experts” in this appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (d) our Directors confirmed that there has been no material adverse change in the financial or trading position of our Group since 30 November 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (f) the register of members of our Company will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. All transfer and other documents of title of the Shares must be lodged for registration with and registered by our share register in Hong Kong. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (g) no company within our Group is listed on any stock exchange or traded on any trading system and at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and
- (h) there is no arrangement under which future dividends are waived or agreed to be waived.

**A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of Application Forms;
- (b) certified copies of the material contracts referred to in the paragraph headed “B. Further information about our business – 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the paragraph headed “D. Other information – 10. Consent of experts” in Appendix IV to this prospectus.

**B. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of P.C. Woo & Co. at Room 1225, 12/F, Prince’s Building, 10 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Articles of Association;
- (b) the Accountant’s Report on the historical financial information of our Group for each of the three years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017 from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of our Group for each of the three years ended 31 March 2015, 2016 and 2017 and the eight months ended 30 November 2017;
- (d) the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, legal advisers to our Company as to Cayman Islands law, summarising certain aspects of the Cayman Islands law referred to in Appendix III to this prospectus;
- (f) the Cayman Companies Law;
- (g) the rules of the Share Option Scheme referred to in the paragraph headed “D. Other information – 1. Share Option Scheme” in Appendix IV to this prospectus;

- (h) the material contracts referred to in the paragraph headed “B. Further information about our business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (i) the legal opinion in respect of the Registration of Local Newspapers Ordinance (Chapter 268 of the Laws of Hong Kong) and the Newspapers Registration and Distribution Regulations (Chapter 268B of the Laws of Hong Kong) and Book Registration Ordinance (Chapter 142 of the Laws of Hong Kong) dated 16 March 2018 issued by Mr. Leung Wai-Keung, Richard, barristers-at-law in Hong Kong;
- (j) the written consents referred to in the paragraph headed “D. Other information – 10. Consent of experts” in Appendix IV to this prospectus;
- (k) the service agreements and letters of appointment referred to in the paragraph headed “C. Further information about our Directors and substantial shareholders – Particulars of service contracts and letters of appointment” in Appendix IV to this prospectus;
- (l) the Ipsos Report referred to in the section headed “Industry overview” in this prospectus; and
- (m) the internal control review report in respect of the compliance management of registration of the publications issued by Moore Stephens Consulting Limited.

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