

Maoyan Entertainment

GLOBAL OFFERING

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1896



猫眼娱乐

Sole Financial Advisor



Joint Sponsors



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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



Maoyan Entertainment

貓眼娛樂

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering : 132,377,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares : 13,237,800 Shares (subject to adjustment)
Number of International Offer Shares : 119,139,200 Shares (subject to the Over-allotment Option and adjustment)
Maximum Offer Price : HK\$20.40 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : US\$0.00002 per Share
Stock code : 1896

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Morgan Stanley

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Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII 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. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Price Determination Banks, on behalf of the Underwriters, and our Company on or before Monday, January 28, 2019 or such later time as may be agreed between the parties, but in any event, no later than Thursday, January 31, 2019. If, for any reason, the Price Determination Banks, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Thursday, January 31, 2019, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK\$20.40 per Share and is expected to be not less than HK\$14.80 per Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK\$20.40 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price is lower than HK\$20.40. The Price Determination Banks, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offering. In such a case, notices of such reduction will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.maoyan.com as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

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

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Joint Representatives, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Grounds for Termination". It is important that you refer to that section for further details.

We have not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act"). The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) to persons within the United States or to U.S. persons, in each case, who are both qualified institutional buyers (as defined in Rule 144A) and qualified purchasers (as defined in section 2(a)(51) of the U.S. Investment Company Act and Rule 2a51-1 thereunder), in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act; and (ii) outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

January 23, 2019

EXPECTED TIMETABLE ^(NOTE 1)

The Company will publish an announcement on the website of the Stock Exchange at www.hkex.com.hk and our website at www.maoyan.com if there is any change in the following expected timetable of the Hong Kong Public Offering.

- Latest time to complete electronic applications under **White Form eIPO** service through the designated website at www.eipo.com.hk (note 4) 11:30 a.m. on Monday, January 28, 2019
- Application lists for the Hong Kong Public Offering open (note 2) 11:45 a.m. on Monday, January 28, 2019
- Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions to HKSCC** (note 3) 12:00 noon on Monday, January 28, 2019
- Latest time to complete payments for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) 12:00 noon on Monday, January 28, 2019
- Application lists close (note 2) 12:00 noon on Monday, January 28, 2019
- Expected Price Determination Date (note 6) Monday, January 28, 2019
- Announcement of the Offer Price, the indications of the level of interest in the International Placing, the level of applications in the Hong Kong Public Offering, and the basis of allocation of the Hong Kong Offer Shares to be published at the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.maoyan.com on or before (note 7) Friday, February 1, 2019
- Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See "How to Apply for Hong Kong Offer Shares — Publication of Results") from Friday, February 1, 2019
- Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID function" Friday, February 1, 2019

EXPECTED TIMETABLE ^(NOTE 1)

Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before (*notes 5 & 8*) Friday, February 1, 2019

Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on (*note 8*) Friday, February 1, 2019

White Form e-Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be despatched on or before (*notes 7 & 11*) Friday, February 1, 2019

Dealings in Shares on the Main Board of the Stock Exchange to commence on 9:00 a.m. on Monday, February 4, 2019

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, January 28, 2019, the application lists will not open and close on that day. Further information is set out in “How to Apply for Hong Kong Offer Shares — Effect of bad weather on the opening of the application lists”. If the application lists do not open and close on Monday, January 28, 2019, the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by us in such event.
- (3) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” for details.
- (4) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained 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.
- (5) Share certificates for the Hong Kong Offer Shares will become valid certificates of title at 8:00 a.m. on Monday, February 4, 2019, provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates become valid certificates do so entirely at their own risk.
- (6) The Offer Price is expected to be determined by Monday, January 28, 2019 but in any event, the expected time for determination of the Offer Price will not be later than Thursday, January 31, 2019. If, for any reason, the Offer Price is not agreed between the Price Determination Banks, on behalf of the Underwriters, and our Company by Thursday, January 31, 2019, the Global Offering will not proceed and will lapse.
- (7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

EXPECTED TIMETABLE (NOTE 1)

- (8) Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required on their Application Forms, they may collect any refund cheque(s) and/or share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, February 1, 2019. Applicants being individuals who apply for 1,000,000 Hong Kong Offer Shares or more and is eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Offer Shares or more and is eligible for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporations’ chop. Identification and (where applicable) authorization documents acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, must be produced at the time of collection.
- (9) Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Forms, they may collect their refund cheque(s), where applicable, in person but may not elect to collect their share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.
- (10) Applicants who apply for Hong Kong Offer Shares via **White Form eIPO** should refer to the section headed “How to Apply for Hong Kong Offer Shares — Refund of Application Monies”.
- (11) Uncollected share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants’ own risk to the addresses specified on the relevant applications. Further details are set out in the section headed “How to apply for Hong Kong Offer Shares — Dispatch/Collection of Share Certificates and Refund Monies”.

For details of the structure of the Global Offering, including the conditions thereof, please refer to the section headed “Structure of the Global Offering.”

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Joint Sponsors, the Sole Financial Advisor, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Our Mission

Our mission is to make it easy to create, deliver and enjoy great entertainment.

Company Overview

We seek to achieve our mission by building a vibrant ecosystem around our integrated platform which connects and empowers consumers and the entertainment industry. We strive to leverage the power of the Internet to enable consumers to easily discover and enjoy quality entertainment. We aspire to transform content creation, promotion and distribution with the Internet and enable our business partners in the entertainment industry to enhance their operations and performance.

We are a leading platform providing innovative Internet-empowered entertainment services in China, offering online entertainment ticketing services, entertainment content services, e-commerce services and advertising services and others.

- ***Leader in online entertainment ticketing services.*** We were the largest online movie ticketing service provider in China with a market share of 61.3% by GMV of movie tickets sold in the nine months ended September 30, 2018, according to the iResearch Report. With the growth of China’s movie industry and the increase of the online penetration rate of movie ticketing from 18.4% in 2012 to 85.5% in the nine months ended September 30, 2018, China’s online movie ticketing market increased from RMB3.1 billion in 2012 to RMB46.0 billion in 2017 by GMV and is expected to further increase to RMB110.1 billion in 2022, according to the iResearch Report. We also offer online entertainment event ticketing services and were the second largest player by GMV in the nine months ended September 30, 2018, according to the iResearch Report.
- ***Leader in entertainment content services.*** We were the first to provide Internet-based promotion and distribution services for movies in China and have since expanded such services to a broad range of entertainment content. In the nine months ended September 30, 2018, we provided entertainment content services for movies that contributed to over 90% of the gross box office in China. We started to act as a lead distributor of movies in 2016 and rapidly became the largest lead distributor of domestic movies in terms of China gross box office in the 21 months ended September 30, 2018, according to the iResearch Report.

SUMMARY

- ***Leading online community of entertainment audience and professionals.*** We were the largest online movie community in China by average MAU in the nine months ended September 30, 2018, according to the iResearch Report. Our *Maoyan Pro* app was the most popular professional app for the entertainment industry in China by average MAU in the same period, according to the iResearch Report.

How We Create Value for Consumers. We enable consumers to easily enjoy a variety of entertainment content and services. Our MAU averaged 134.6 million in the nine months ended September 30, 2018.

- ***Accessible anytime, anywhere.*** Our services are an important part of consumers' daily lives. Consumers can access our services through our *Maoyan* app and *Gewara* app as well as our self-operated channels on partnered platforms. Through our strategic partnership with Tencent, we are one of the few platforms embedded in Weixin Pay and QQ Wallet portals and the only one for movies, live performances and sports. Through our strategic partnership with Meituan Dianping, we are the exclusive business partner in entertainment ticketing and services on *Meituan* app and *Dianping* app.
- ***Engaging content discovery.*** Our platform enables consumers to discover a wealth of entertainment information and services. For example, consumers can seamlessly enjoy entertainment news, movie trailers and exclusive video interviews with content creators. Movie trailers on our platform had generated 2.2 billion views as of September 30, 2018.
- ***Informed decision-making.*** Based on our large user base and data, we have established a robust user-generated rating and commentary system. We believe our ratings and commentaries are widely recognized by the public as a credible source that enables consumers to make informed consumption decisions.
- ***One-stop entertainment consumption.*** We offer comprehensive products and services for entertainment consumption to enhance user engagement and experience, including entertainment ticketing, IP-derivative merchandise and in-venue food and beverages preordering.

How We Create Value for the Entertainment Industry. We deliver highly valuable services to industry participants, such as artists, producers, distributors, cinemas and theaters, enabling them to optimize commercial results and operating efficiency.

- ***Data insights.*** Our large and engaged user base provides unique and highly valuable user data insights combining users' consumption behaviors and entertainment preferences. Leveraging our big data capabilities and advanced algorithm, we have developed and are constantly refining our insights into the entertainment industry. We introduced industry statistics such as the *Hype!* index, providing valuable tools for industry participants to gauge market reception prior to release. Our data insights allow cinemas and theaters to adopt dynamic scheduling and pricing strategies to maximize operational results and enable producers and distributors to maximize audience impact.

SUMMARY

- **Digitize and upgrade the industry.** We offer a suite of Internet-empowered tools and services to entertainment content providers and distributors, including Software-as-a-Service (SaaS) solutions, highly relevant analytics and insights, online marketing and transaction processing services, helping them digitize their daily operations and achieve commercial success. We launched *Maoyan Pro* app in 2015, which was the first mobile app in China designed for the community of entertainment professionals. We have enhanced information transparency, fostered connectivity, facilitated the sharing of resources and improved the industry's productivity and efficiency.
- **Integration of online and offline resources.** Our unique entertainment content services capabilities integrate our big data assets, media coverage and partnership resources. The integration of such online and offline resources is supported by our robust technology infrastructure and on-the-ground business development force with extensive experience in both Internet and entertainment industries. Such capabilities uniquely position us to better identify, capture and serve our business partners' needs.

Our platform enjoys powerful network effects. The rich entertainment content and services on our platform attract more consumers, leading to more transactions, interactions and feedbacks. Our valuable data insights not only enable consumers to make better decisions and enjoy better entertainment, but also empower the entertainment industry to create better content and deliver better services to consumers, forming a virtuous cycle. As a result, we have become the partner of choice to the entertainment industry. These network effects shape our ability to capture commercial opportunities arising from our ecosystem and expand to attractive business areas along the entertainment value chain and across entertainment formats, further enhancing our growth potential.

Key Operating Data

The following table sets forth the GMV and number of movie tickets sold on our platform for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
GMV of movie tickets sold (RMB million)*	12,901.8	14,431.0	21,679.6	14,940.6	25,624.7
Number of movie tickets sold (million)	380.0	397.5	598.5	409.2	679.4

Note:

- * GMV of movie tickets sold represents the value of paid transactions (including the service fees) on our platform, without regard to any subsequent refunds, and is recognized at the moment of transaction. Box office represents the gross proceeds from movie ticket sales received by cinemas after deducting all refunds.

SUMMARY

The following table sets forth the average MAU of our platform and the number of transaction users of our online movie ticketing services, each by channels, for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	(million)				
Average MAU					
Our apps	9.1	7.8	7.0	5.2	6.8
<i>Weixin</i> and <i>QQ</i> apps	—	—	43.4	—	55.6
<i>Meituan</i> and <i>Dianping</i> apps	31.8	49.8	66.2	67.6	72.2
Number of transaction users of online movie ticketing services					
Our apps	13.1	8.6	9.2	6.2	7.4
<i>Weixin</i> and <i>QQ</i> apps	—	—	13.4	—	40.9
<i>Meituan</i> and <i>Dianping</i> apps	65.6	68.6	79.9	68.4	72.3

Note:

* *Weixin* and *QQ* apps were owned by Tencent and *Meituan* and *Dianping* apps were owned by Meituan Dianping, both of which are our shareholders and have strategic partnerships with us. See “Business — Our Strategic Partners” and “Relationship with Enlight and Tencent — 2. Relationship with Tencent.” Portals to our services on *Weixin* and *QQ* apps were launched after the Weying Acquisition in September 2017.

In 2015, 2016, 2017 and the nine months ended September 30, 2018, the average number of movie tickets sold per transaction user was 5.8, 6.5, 5.9 and 5.7, respectively.

During the Track Record Period, a substantial part of our user traffic was from users accessing through Tencent’s and Meituan Dianping’s apps. We believe our partnerships with Tencent and Meituan Dianping are complementary and mutually beneficial. We have also been actively developing our own apps to provide more comprehensive services, optimize our user experience and thereby increase our own user base and enhance user engagement.

See “Business — Our Services — Online Entertainment Ticketing Services — Movie Ticketing” and “Business — Our Platform — User Platform — Access to Our Platform.”

Business Overview

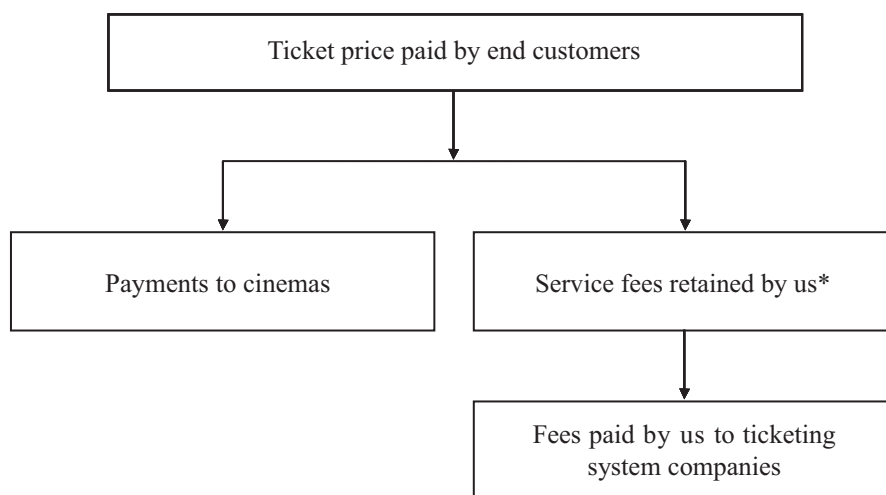
We offer online ticketing services for various entertainment formats including movies and entertainment events.

We charge service fees for movie tickets sold on our platform, the rate of which ranged from 4% to 8% of the ticket price paid by end customers during the Track Record Period. Our total entertainment event ticketing GMV reached RMB331.8 million in 2017, and further increased to RMB773.7 million in the nine months ended September 30, 2018. We also charge a commission for the entertainment event ticketing services. See “Business — Our Services — Online Entertainment Ticketing Services.”

SUMMARY

We may also provide ticket refund and exchange services in connection with online movie ticketing services and entertainment event ticketing services. In 2016, 2017 and the nine months ended September 30, 2018, the refund rates of movie tickets sold were 1.7%, 2.0% and 1.3%, respectively. In 2017 and the nine months ended September 30, 2018, the refund rates of entertainment event tickets sold were 6.9% and 4.2%, respectively.

The following chart illustrates the fund flow of our online movie ticketing services.



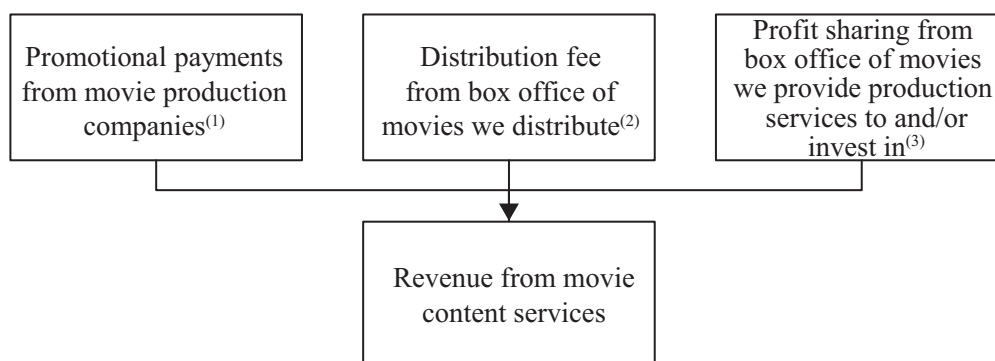
Note:

* Such service fees typically range from 4% to 8% of the ticket price paid by end customers and are recognized by us as revenue from movie ticketing services.

See “Business — Our Services — Online Entertainment Ticketing Services — Movie Ticketing — Movie Ticketing Arrangements.”

Our entertainment content services range from distribution, promotion and production, for various entertainment formats.

The following chart illustrates the fund flow of our movie content services.



SUMMARY

Notes:

- (1) Such payments are primarily for our movie distribution and promotion cost;
- (2) When acting as a lead distributor, the rate of distribution fee we receive typically ranges from 5% to 12%. When acting as a co-distributor, our distribution fee may be either a pre-agreed amount or determined at a rate ranging from 1% to 2%. Distribution fee rate equals the distribution fee we receive divided by the total revenue-sharing box office. The revenue-sharing box office represents the remaining portion of the box office, after deducting the amounts paid to cinemas, charges by relevant regulatory authorities, mandatory contributions to the National Film Development Fund and taxes, which generally accounts for approximately 40% of the box office;
- (3) Revenue of each of our movie production projects is recognized on a gross or net basis. See “Financial Information — Description of Major Components of Our Results of Operations — Revenue — Entertainment Content Services.”

See “Business — Our Services — Entertainment Content Services — Services Provided for Movies” and “Industry Overview — Entertainment Content Services.”

We also offer online preordering of in-venue food and beverages, sales of IP-derivative merchandise and movie ticket membership subscriptions on our platform in our e-commerce services. In 2016 and 2017, our GMV of food and beverages sold was RMB288.8 million and RMB647.4 million, respectively. In the nine months ended September 30, 2017 and 2018, our GMV of food and beverages sold was RMB466.7 million and RMB681.5 million, respectively. The commission fees we charge for in-venue food and beverages, IP-derivative merchandise and membership subscriptions, typically range from 7% to 10%, from 10% to 30% and from 3% to 20% of the transaction value, respectively. See “Business — Our Services — E-commerce Services.”

Our Customers and Suppliers

Our customers primarily include cinemas, entertainment content producers and distributors and advertisers. In 2015, 2016, 2017 and the nine months ended September 30, 2018, revenue from our top five customers, which were all cinemas, accounted for 32.2%, 17.0%, 21.1% and 23.1% of our total revenue, respectively.

Our suppliers primarily include ticketing system companies which help establish and maintain our connection with cinemas’ ticketing systems. In each of 2015, 2016, 2017 and the nine months ended September 30, 2018, the percentage of our purchases attributable to our five largest suppliers combined falls under 30%.

See “Business — Our Customers” and “Business — Our Suppliers.”

SUMMARY

Competition

We compete with other players in various business operations along the entertainment industry value chain based on factors including brand recognition, size and engagement level of user base, service and content offerings, user experience, understanding of users and the market, financial resources, offline and partnership resources, marketing resources, technology and big data capabilities and ability to respond quickly and effectively to market trends. In particular, we face market competition in the online movie ticketing industry where we compete with certain key players who may have greater financial, technological or marketing resources compared with us. Such competition may pose challenges to our business operations and materially and adversely affect our user base, market share and profitability. Despite the intense market competition, we have maintained a strong market presence in the online movie ticketing industry, leveraging our established brand and strong relationships along the industry value chain spanning online entertainment ticketing services to various entertainment content services. According to the iResearch Report, we maintained the leading position in the online movie ticketing market in China with a market share of 61.3% by GMV of movie tickets sold in the nine months ended September 30, 2018. See “Business—Competition.”

OUR INDUSTRY

With a market size of RMB1,283.0 billion in 2017, China’s entertainment market has already become the second largest in the world, after that of the United States. It is expected that China’s entertainment industry will further grow to RMB3,213.8 billion in 2022, representing a CAGR of 20.2% from 2017, outpacing the growth of the global industry, according to the iResearch Report. The robust growth in China’s entertainment market is attributable to the following drivers:

- **Development of technology and mobile Internet.** The high penetration rate of mobile Internet and the development of mobile payment infrastructure in China have made the entertainment experience easier than ever.
- **Consumption upgrade and growing spending power.** As the nation’s spending power increases and rapid urbanization continues, it is expected that the willingness to pay for entertainment will continue to rise, driving the growth of the overall entertainment market.
- **More diversified and personalized entertainment formats.** Consumers with diverse tastes and preferences are enjoying an ever-expanding selection of entertainment. In addition, technology and big data analysis enable industry players to have a better understanding of their consumers and to provide more personalized and enjoyable entertainment experiences.

SUMMARY

- **Better quality of entertainment content.** In addition to more entertainment options and increasingly personalized content, the quality of entertainment content is improving, satisfying the higher expectation and demand of consumers and thus fueling the overall development of China's entertainment market.

China's movie market is the second largest in the world, after that of the United States. It increased at a CAGR of 29.2% from 2012 to 2017 and reached a market size of RMB76.1 billion and is expected to further grow at a CAGR of 20.2% to reach a market size of RMB190.9 billion by 2022, according to the iResearch Report. This will see China surpass the United States as the largest movie market in terms of box office by 2020.

The movie market in China is expected to benefit from its own unique growth drivers:

- **Greater number of high quality domestic movies.** Among the five highest grossing movies in China in 2017 and the nine months ended September 30, 2018, 80.9% and 84.2% of the gross box office were generated through domestic movies, respectively, compared with 58.5% in 2015.
- **Development of entertainment infrastructure.** Although China already has the highest number of movie screens in the world, the nation's number of screens and movie admission per capita are still at a much lower level compared with those of the United States. This, together with the increasing spending power evidenced by the rise of per capita disposable income and the growing demand for entertainment consumption, indicates potential room for the future growth of China's movie market.
- **Diversifying revenue sources.** According to the iResearch Report, non-box office revenue in China increased from RMB3.0 billion in 2012 to RMB15.9 billion in 2017 and is expected to grow at a CAGR of 30.3% to RMB59.9 billion in 2022, contributing 31.4% of China's movie market.

In addition to movies, other entertainment formats are undergoing rapid growth. China's entertainment events market, including concerts, live performances, exhibitions and sports events, has grown from RMB43.0 billion in 2012 to RMB84.6 billion in 2017, and is expected to grow at a CAGR of 25.2% to RMB260.2 billion in 2022.

The market for TV series, web series, web movies and variety shows in China has grown from RMB57.5 billion in 2012 to RMB139.0 billion in 2017 and is expected to reach RMB282.3 billion in 2022, in terms of the total revenue of all participants in this market.

The adoption of mobile Internet in people's everyday lives has driven the shift of ticket purchasing activity from offline to online, fostering the growth of online entertainment ticketing services. With the growth of China's movie industry and the online penetration rate of movie ticketing, China's online movie ticketing market increased from RMB3.1 billion in 2012 to RMB46.0 billion in 2017 by GMV and is expected to further increase to RMB110.1 billion in 2022. The online ticketing services market for entertainment events increased from RMB1.4 billion in 2012 to RMB7.1 billion in 2017, and is expected to reach RMB24.4 billion in 2022, by GMV. Currently, China's entertainment

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industry is fragmented with a large number of participants along the value chain. Entertainment content service platforms have emerged to connect consumers with vertical players such as production companies and distributors and empower different industry participants to optimize operating results.

See “Industry Overview.”

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

- Leading platform of Internet-empowered entertainment services
- Extensive user coverage and comprehensive user engagement
- Highly valuable services empowering the entertainment value chain
- Sophisticated content promotion and distribution capabilities
- Robust technology infrastructure and operational excellence
- Unique position to expand along value chain and across entertainment services
- Visionary and experienced management team with distinctive corporate culture

See “Business — Our Strengths.”

OUR STRATEGIES

To achieve our mission and further solidify our leadership position, we intend to pursue the following strategies:

- Continue to expand our user base and consumer mindshare
- Strengthen our entertainment content services capabilities
- Further develop our technological capabilities
- Selectively pursue strategic alliances, investments and acquisitions

RISK FACTORS

Our business and the Global Offering involve certain risks as set out in the section headed “Risk Factors” in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include:

- We have a limited operating history in a dynamic market, which makes it difficult to evaluate our prospects.

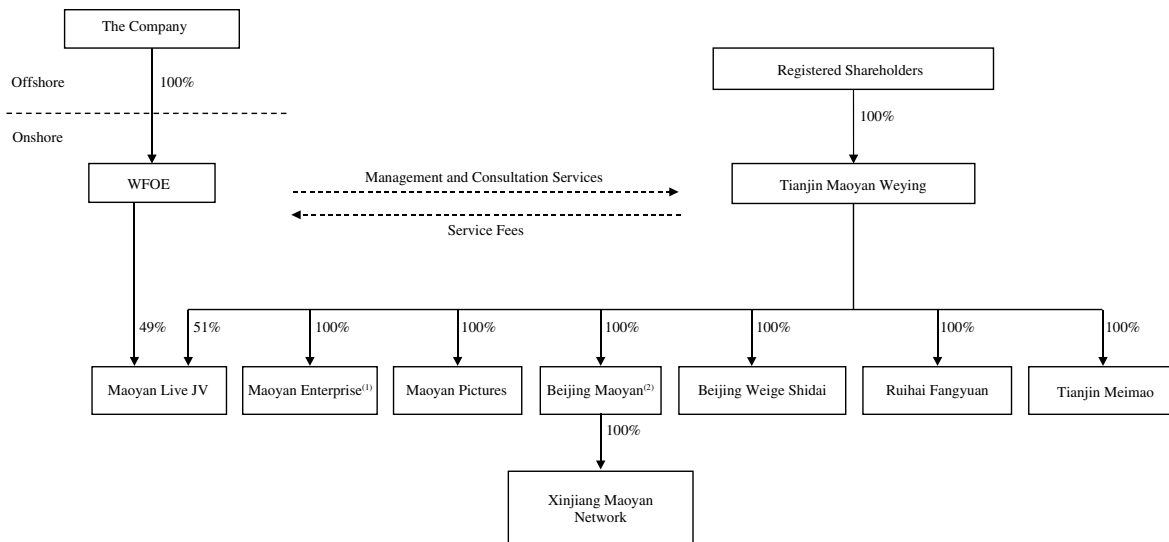
SUMMARY

- Our success depends, in significant part, on the general prosperity and development of China’s entertainment industry.
- If we fail to retain or grow our user base, or if our user engagement ceases to grow or declines, our business, financial condition and results of operations may be materially and adversely affected.
- Our operations depend in part on our relationships with our strategic and business partners.
- We may not be able to respond effectively to changes in the entertainment market, which may materially and adversely affect our market share, user retention and results of operations.

CONTRACTUAL ARRANGEMENTS

Our Contractual Arrangements

The operations of our Consolidated Affiliated Entities are subject to various foreign ownership restrictions under PRC laws and regulations. In order to maintain and exercise control over our Consolidated Affiliated Entities, we have adopted Contractual Arrangements. These Contractual Arrangements allow us to enjoy the economic benefits of our Consolidated Affiliated Entities and consolidate their results of operations into ours. See “Contractual Arrangements.” The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

“→” denotes direct legal and beneficial ownership in the equity interest.

“--→” denotes contractual relationship.

(1) Maoyan Enterprise is an investment holding company which holds, directly or indirectly, minority equity investments, amounting to approximately RMB30 million, in certain companies (“Investee Companies”) which engage in businesses subject to foreign investment prohibition or restriction, including value-added telecommunication service, radio and television program production and internet audio-visual programs. The investments are passive, non-controlling interests that are classified as investments accounted for using the equity method and financial assets at fair value through profit

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or loss and neither are consolidated in our financial statements nor form part of our Group. None of the investments are material to us. As advised by our PRC Legal Advisor, foreign investors are either prohibited or restricted from holding equity interest in companies conducting such businesses. The financial results of the Investee Companies are not consolidated into our financial statements and our minority investment interests in the Investee Companies are immaterial to our financial and operational results.

- (2) Beijing Maoyan has another subsidiary named Xinjiang Maoyan Live. Such subsidiary has no actual business operation and is in the process of deregistration as of the Latest Practicable Date.

Draft Foreign Investment Law

The MOFCOM published a discussion draft of a proposed Foreign Investment Law (the “**2015 Draft Foreign Investment Law**”) in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in the PRC. The MOFCOM solicited comments on this draft in early 2015 and substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. The 2015 Draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investment in the PRC.

As advised by our PRC Legal Advisor, if the 2015 Draft Foreign Investment Law is promulgated in the current draft form, we are likely to be in compliance with the 2015 Draft Foreign Investment Law because more than 50% of the voting rights of our Company will be ultimately controlled by PRC entities or PRC citizens immediately upon completion of the Global Offering (assuming full conversion of the 2018 CB into our Shares and after exercise of the Over-allotment Option in full.) For details, see “Contractual Arrangements.” Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefit from our Consolidated Affiliated Entities alone may not be effective in ensuring compliance with the new Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement action against us which may have a material adverse effect on the trading of our Shares. See “Risk Factors — Risks Relating to Our Contractual Arrangements.”

On December 26, 2018, National People’s Congress Standing Committee published the Draft Foreign Investment Law (the “**2018 Draft Foreign Investment Law**”) to seek public comments, which will be closed on February 24, 2019. The 2018 Draft Foreign Investment Law does not mention concepts including “de facto control” and “controlling through contractual arrangements”, nor did it specify the regulation on controlling through contractual arrangements. Furthermore, the 2018 Draft Foreign Investment Law does not specifically stipulate rules on the industry we operate in. Therefore, as advised by our PRC Legal Advisors, we believe that the 2018 Draft Foreign Investment Law, if promulgated in its current form and contents, will not, by itself, have any material adverse effect on our structure or, in turn, on our business operations.

As of the Latest Practicable Date, the 2015 Draft Foreign Investment Law and the 2018 Draft Foreign Investment Law are in draft form only, and there is no certainty as to whether, or a definite timeline as to when, the finalized/new Foreign Investment Law will come into effect, and, more importantly, whether it is to be promulgated in the current draft forms. For details of the 2015 Draft Foreign Investment Law and its promulgation status, see “Contractual Arrangements.”

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CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the Listing which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. See “Connected Transactions” and “Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.”

PRE-IPO INVESTMENTS

We introduced Enlight Investment, Enlight Media, Linzhi Lixin, Beijing Weying Shidai and Cheshire Investments Fund as our Pre-IPO Investors through several rounds of Pre-IPO Investments since 2016. For details of our Pre-IPO Investments, see “History and Reorganization.”

EMPLOYEE INCENTIVE SCHEME

In order to provide incentives and rewards to directors, senior management and employees of the Group and other eligible individuals and entities, the Company adopted a series of employee incentive schemes, including Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, RSU Scheme and Restricted Share Agreement. The Pre-IPO Share Option Scheme is a restructuring and re-adoption by the Company of the employee share incentive scheme adopted by Tianjin Maoyan Weying on November 8, 2016. See “Appendix VI — Statutory and General Information — D. Employee Incentive Scheme.”

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant’s Report in Appendix I to this prospectus. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this prospectus, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Selected Consolidated Income Statement Data

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	RMB million	%	RMB million	%	RMB million	%	RMB million (Unaudited)	%	RMB million	%
Revenue	<u>596.7</u>	<u>100.0</u>	<u>1,377.5</u>	<u>100.0</u>	<u>2,548.0</u>	<u>100.0</u>	<u>1,534.6</u>	<u>100.0</u>	<u>3,062.3</u>	<u>100.0</u>
Cost of revenue	<u>(298.2)</u>	<u>(50.0)</u>	<u>(489.9)</u>	<u>(35.6)</u>	<u>(806.0)</u>	<u>(31.6)</u>	<u>(469.1)</u>	<u>(30.6)</u>	<u>(1,100.0)</u>	<u>(35.9)</u>
Gross profit	298.5	50.0	887.6	64.4	1,742.0	68.4	1,065.5	69.4	1,962.3	64.1
Selling and marketing expenses	(1,521.1)	(254.9)	(1,027.8)	(74.6)	(1,419.5)	(55.7)	(921.8)	(60.1)	(1,724.4)	(56.3)
General and administrative expenses	(76.3)	(12.8)	(332.3)	(24.1)	(381.3)	(15.0)	(262.6)	(17.1)	(341.3)	(11.1)
Other (losses)/gains, net	<u>(2.0)</u>	<u>(0.3)</u>	<u>(22.3)</u>	<u>(1.6)</u>	<u>(7.3)</u>	<u>(0.3)</u>	<u>36.0</u>	<u>2.4</u>	<u>(38.3)</u>	<u>(1.3)</u>
Operating loss	(1,300.9)	(218.0)	(494.8)	(35.9)	(66.1)	(2.6)	(82.9)	(5.4)	(141.7)	(4.6)
Finance income/(costs), net	—	—	(3.6)	(0.3)	(11.2)	(0.5)	(11.8)	(0.8)	(1.4)	0.0
Share of profits/(losses) of investments accounted for using the equity method	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1.4</u>	<u>0.1</u>	<u>—</u>	<u>—</u>	<u>(2.2)</u>	<u>(0.1)</u>
Loss before income tax	(1,300.9)	(218.0)	(498.4)	(36.2)	(75.9)	(3.0)	(94.7)	(6.2)	(145.3)	(4.7)
Income tax credits/(expenses)	<u>3.4</u>	<u>0.6</u>	<u>(9.8)</u>	<u>(0.7)</u>	<u>(0.2)</u>	<u>0.0</u>	<u>(57.4)</u>	<u>(3.7)</u>	<u>1.3</u>	<u>0.0</u>
Loss for the year/period	<u>(1,297.5)</u>	<u>(217.4)</u>	<u>(508.2)</u>	<u>(36.9)</u>	<u>(76.1)</u>	<u>(3.0)</u>	<u>(152.1)</u>	<u>(9.9)</u>	<u>(144.0)</u>	<u>(4.7)</u>
Loss per share attributable to equity holders of the Company (expressed in RMB per share)										
— Basic and diluted	(6.76)	N/A	(2.65)	N/A	(0.39)	N/A	(0.79)	N/A	(0.74)	N/A

Our cost of revenue increased significantly from the nine months ended September 30, 2017 to the nine months ended September 30, 2018. The increase in our cost of revenue was mainly due to: (i) an increase in ticketing system cost which was in line with the growth of our online movie ticketing services; (ii) an increase in content distribution and promotion cost in line with the continued growth of our entertainment content services; and (iii) amortization of intangible assets in connection with the Weying Acquisition completed in September 2017. See “Financial Information — Discussion of Certain Key Balance Sheet Items — Intangible Assets.”

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Our selling and marketing expenses increased significantly from the nine months ended September 30, 2017 to the nine months ended September 30, 2018, primarily due to an increase in user incentives to promote our services. We increased the use of user incentives around the Chinese New Year in 2018, to respond to market competition and to strengthen our market leadership during the period.

Our general and administrative expenses increased significantly from the nine months ended September 30, 2017 to the nine months ended September 30, 2018, primarily due to the listing expenses recognized and an increase in office expenses, which was in line with the general expansion of our business.

The following table sets out a breakdown of our revenue by business in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	RMB million	%	RMB million	%	RMB million	%	RMB million (Unaudited)	%	RMB million	%
Revenue										
Online entertainment ticketing services	594.5	99.6	960.1	69.7	1,490.0	58.5	985.4	64.2	1,831.6	59.8
Entertainment content services	—	—	337.3	24.5	852.3	33.4	410.9	26.8	910.2	29.8
E-commerce services	1.4	0.3	15.5	1.1	127.2	5.0	87.6	5.7	160.3	5.2
Advertising services and others	0.8	0.1	64.6	4.7	78.5	3.1	50.7	3.3	160.2	5.2
Total	<u>596.7</u>	<u>100.0</u>	<u>1,377.5</u>	<u>100.0</u>	<u>2,548.0</u>	<u>100.0</u>	<u>1,534.6</u>	<u>100.0</u>	<u>3,062.3</u>	<u>100.0</u>

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA/adjusted EBITDA and adjusted net profit/(loss) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the EBITDA/adjusted EBITDA and adjusted net profit/(loss) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

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	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	RMB million	% of revenue	RMB million	% of revenue	RMB million	% of revenue	RMB million (Unaudited)	% of revenue	RMB million	% of revenue
Non-IFRS Measures										
EBITDA	(1,297.5)	(217.4)	(485.7)	(35.3)	(17.5)	(0.7)	(67.7)	(4.4)	(30.2)	(1.0)
Adjusted EBITDA	(1,270.2)	(212.9)	(283.0)	(20.5)	169.3	6.6	83.6	5.4	93.8	3.1
Adjusted net profit/ (loss)	(1,270.2)	(212.9)	(300.5)	(21.8)	123.9	4.9	12.4	0.8	(16.9)	(0.6)

EBITDA and Adjusted EBITDA

We define EBITDA as operating loss for the period adjusted for depreciation and amortization expenses. The following table sets out EBITDA, a reconciliation from operating loss for the period to EBITDA and adjusted EBITDA for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Reconciliation of operating loss to EBITDA and adjusted EBITDA					
Operating loss for the period	(1,300.9)	(494.8)	(66.1)	(82.9)	(141.7)
Add:					
Depreciation of property, plant and equipment	3.4	9.1	3.5	1.3	7.6
Amortization of intangible assets resulting from business combination	—	—	45.1	13.9	103.9
EBITDA	<u>(1,297.5)</u>	<u>(485.7)</u>	<u>(17.5)</u>	<u>(67.7)</u>	<u>(30.2)</u>
Add:					
Share-based compensation	27.3	202.7	184.5	151.3	99.3
Listing expenses	—	—	2.3	—	24.7
Adjusted EBITDA	<u>(1,270.2)</u>	<u>(283.0)</u>	<u>169.3</u>	<u>83.6</u>	<u>93.8</u>

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Adjusted Net Profit/(Loss)

We define adjusted net profit/(loss) as net profit/(loss) for the period adjusted by adding back share-based compensation, net (gain)/loss of convertible bonds and financial liabilities at fair value through profit or loss and listing expenses. The following table reconciles our adjusted net profit/(loss) for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is a loss for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million	RMB million
				(Unaudited)	
Reconciliation of net profit/(loss) to adjusted net profit/(loss):					
Net losses for the period	(1,297.5)	(508.2)	(76.1)	(152.1)	(144.0)
Add:					
Share-based compensation	27.3	202.7	184.5	151.3	99.3
Net losses of convertible bonds and financial liabilities at fair value through profit or loss	—	5.0	13.2	13.2	3.1
Listing expenses	—	—	2.3	—	24.7
Adjusted net profit/(loss)	<u>(1,270.2)</u>	<u>(300.5)</u>	<u>123.9</u>	<u>12.4</u>	<u>(16.9)</u>

Selected Consolidated Balance Sheet Data

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Total non-current assets	17.1	3.6	5,715.4	5,533.4
Total current assets	611.0	1,564.3	3,323.3	3,573.7
Total assets	<u>628.1</u>	<u>1,567.9</u>	<u>9,038.7</u>	<u>9,107.1</u>
Total share capital	—	—	—	0.1
Total reserves	77.4	274.4	5,838.3	6,094.4
Total accumulated losses	(1,297.5)	(259.9)	(318.1)	(460.9)
Total non-controlling interests	—	—	11.1	4.8
Total equity	<u>(1,220.1)</u>	<u>14.5</u>	<u>5,531.3</u>	<u>5,638.4</u>
Total non-current liabilities	—	4.2	221.8	201.1
Total current liabilities	1,848.2	1,549.2	3,285.6	3,267.6
Total liabilities	<u>1,848.2</u>	<u>1,553.4</u>	<u>3,507.4</u>	<u>3,468.7</u>
Total equity and liabilities	<u>628.1</u>	<u>1,567.9</u>	<u>9,038.7</u>	<u>9,107.1</u>
Net current (liabilities)/assets	<u>(1,237.2)</u>	<u>15.1</u>	<u>37.7</u>	<u>306.1</u>

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We had net current liabilities of RMB1,237.2 million as of December 31, 2015. As of December 31, 2016 and 2017 and September 30, 2018, we had net current assets of RMB15.1 million, RMB37.7 million and RMB306.1 million, respectively.

We had net current liabilities as of December 31, 2015. Prior to our separation from Meituan Dianping in 2016, certain of our cash used in operational activities was provided by Meituan Dianping. Upon our separation, such arrangement would have resulted in the recognition of amounts payable to Meituan Dianping, assuming that we were already a separate entity as of December 31, 2015. Under the arrangement of our separation from Meituan Dianping, a significant amount of payables to Meituan Dianping was recategorized as contribution from equity holder, which in turn resulted in a decrease in accumulated loss in 2016. Our accumulated loss increased from 2016 to 2017 and further to the nine months ended September 30, 2018, as we incurred losses for these periods.

In light of the above and taking into account the financial resources available to us including our cash and cash equivalents on hand, existing bank borrowings, the available banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

GOODWILL AND OTHER INTANGIBLE ASSETS

Our goodwill increased significantly to RMB4.5 billion as of December 31, 2017, primarily as a result of the Weying Acquisition in 2017. This goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in Weying and the acquisition-date fair value of any previous equity interest in Weying over the fair value of the identified net assets acquired. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. We have conducted impairment reviews on our goodwill as of December 31, 2017 and September 30, 2018 following the Weying Acquisition. Our goodwill impairment loss was RMB46.9 million and RMB62.8 million for 2017 and the nine months ended September 30, 2018, respectively, as recognized from our disposal of Beijing Jietong Wuxian Technology Co., Ltd. (“**Jietong Wuxian**”). Determining whether goodwill is impaired requires us to estimate the value-in-use of the cash generating unit to which we have allocated goodwill. This value-in-use calculation requires us to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate to calculate the present value. Where the book value of the cash generating unit exceeds its value-in-use, an impairment loss may arise. See “Risk Factors — Risks Relating to Our Business and Industries — Impairment of goodwill may materially and adversely affect our results of operations”, “Financial Information — Discussion of Certain Key Balance Sheet Items” and Note 2.6(i) and Note 15 to the Accountant’s Report in Appendix I to this prospectus.

We had intangible assets of RMB5,608.2 million as of December 31, 2017, primarily including goodwill of RMB4,452.0 million resulting from the Weying Acquisition. Our intangible assets decreased to RMB5,424.0 million as of September 30, 2018, primarily due to the amortization of intangible assets and the goodwill impairment loss recognized from our disposal of Jietong Wuxian, which we consider as a one-off treatment. As of December 31, 2017 and September 30, 2018, we had other intangible assets including trademarks, software, our platform and customer relationships. See

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“Risk Factors — Risks Relating to Our Business and Industries — Impairment of our intangible assets could materially and adversely affect our results of operations”, “Financial Information — Discussion of Certain Key Balance Sheet Items” and Note 2.6 and Note 15 to the Accountant’s Report in Appendix I to this prospectus.

Selected Consolidated Statements of Cash Flows Data

	Year ended December 31,			Nine Months ended September 30,	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Cash (used in)/generated from operations before changes in working capital	(1,265.4)	(257.7)	202.0	74.8	118.9
Net cash (used in)/generated from operating activities	(989.7)	64.8	1,074.0	667.8	(1,433.5)
Net cash (used in)/generated from investing activities	(10.6)	(23.9)	(1,080.1)	(803.4)	625.0
Net cash generated/(used in) from financing activities	1,064.0	997.6	74.0	(400.0)	849.0
Net increase/(decrease) in cash and cash equivalents	63.7	1,038.5	67.9	(535.6)	40.5
Cash and cash equivalents at the beginning of the period	—	63.7	1,102.2	1,102.2	1,170.1
Cash and cash equivalents at the end of the period	63.7	1,102.2	1,170.1	566.6	1,210.6

In 2015 and the nine months ended September 30, 2018, we had net cash outflow generated from operating activities of RMB989.7 million and RMB1,433.5 million, respectively.

In the nine months ended September 30, 2018, our net cash used in operating activities were primarily attributable to our loss before income tax, as adjusted by: (i) the add-back of non-cash items, primarily comprising share-based compensation expenses, impairment of goodwill arising from the acquisition of Jietong Wuxian and amortization of intangible assets resulting from business combination; and (ii) changes in working capital, which primarily comprised an increase in prepayments, deposits and other receivables, an increase in accounts receivables and a decrease in other payables, accruals and other liabilities. See “Financial Information — Liquidity and Capital Resources.”

Our loss in the nine months ended September 30, 2018 was primarily attributable to the increase in our selling and marketing expenses as we deployed more user incentives to promote our services around the Chinese New Year in 2018, to respond to market competition and to strengthen our market leadership during the period.

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The increase in prepayments, deposits and other receivables was primarily due to: (i) an increase in deposits made to cinemas and other event promoters, which was in line with the growth of our online entertainment ticketing services; and (ii) an increase in the prepayments for content production which was in line with the growth of our entertainment content production services. This was partially offset by: (i) a decrease in amounts due from related parties as certain online entertainment ticketing receivables from related parties were settled; and (ii) a decrease in prepayments for ticketing system cost.

The increase in accounts receivables from December 31, 2017 to September 30, 2018 was in line with the growth of our services.

The decrease in other payables, accruals and other liabilities was primarily due to: (i) a decrease in amounts due to related parties as we settled the amounts due to Beijing Weying under the capital increase agreement in July 2018; See “History and Reorganization — Material Shareholding Change and Pre-IPO Investments — Pre-IPO Investment by Linzhi Lixin and Acquisition of Beijing Weige Shidai”; (ii) a decrease in payable in respect of share in the box office, as the box office of a movie was being settled around the end of 2017 and completed in early 2018; and (iii) a decrease in payable in respect of online entertainment ticketing and e-commerce services which represents the amounts to be settled with cinemas and event promoters when we receive ticket payments from audience. This was primarily because we generally have higher ticket sales during the year-end holidays.

We will actively monitor and control our selling and marketing expenses, including, primarily, the use of user incentives. According to the iResearch Report, due to industry consolidation and development of user behavior, the use of user incentives as a marketing initiative is expected to have declining impacts and become more stable, disciplined and regulated. As a result, we expect to have better control over our selling and marketing expenses as we further grow our business and, in turn, our operating cash flow will be improved.

However, a more regulated use of user incentives could also have a negative impact on China’s online entertainment ticketing market as a whole or on its future growth, and affect the GMV on our platform, which may, in turn, materially and adversely affect our revenue from online entertainment ticketing. Any potential regulatory limitation on the amount of service fee could reduce our revenue, limit our profitability from online entertainment ticketing services and negatively affect our operational cash flow. See “Risk Factors — Risks Relating to Our Business and Industries — Our failure to comply with laws, rules and regulations as well as changing laws, rules and regulations and legal uncertainty, could materially and adversely affect our business, financial condition and results of operations.”

We expect that market competition in various aspects will be further regulated and become more stable in general.

SUMMARY

Key Financial Ratios

The following table sets out our key financial ratios for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
				(Unaudited)	
Revenue growth (%)	NA	130.8	85.0	NA	99.6
Gross margin ⁽¹⁾ (%)	50.0	64.4	68.4	69.4	64.1
Net margin ⁽²⁾ (%)	(217.4)	(36.9)	(3.0)	(9.9)	(4.7)
EBITDA margin ⁽³⁾ (%)	(217.4)	(35.3)	(0.7)	(4.4)	(1.0)
Adjusted EBITDA margin ⁽⁴⁾ (%)	(212.9)	(20.5)	6.6	5.4	3.1
Adjusted net margin ⁽⁵⁾ (%)	(212.9)	(21.8)	4.9	0.8	(0.6)

Notes:

- ⁽¹⁾ Gross margin equals gross profit divided by revenue for the period and multiplied by 100%. We recognize online entertainment ticketing service revenue on a net basis.
- ⁽²⁾ Net margin equals net profit/(loss) divided by revenue for the period and multiplied by 100%.
- ⁽³⁾ EBITDA margin equals EBITDA divided by revenue for the period and multiplied by 100%.
- ⁽⁴⁾ Adjusted EBITDA margin equals adjusted EBITDA divided by revenue for the period and multiplied by 100%.
- ⁽⁵⁾ Adjusted net margin equals adjusted net profit/(loss) for the period divided by revenue for the period and multiplied by 100%.

We saw an increase in our gross margin and adjusted net margin from 2015 to 2016, mainly due to the increased ticketing service fees retained by us per ticket. Our gross margin and adjusted net margin further increased in 2017, which was attributable to a decrease in ticketing system cost and Internet infrastructure cost as a percentage of revenue.

Our gross margin and adjusted net margin decreased in the nine months ended September 30, 2018, compared to the nine months ended September 30, 2017, primarily due to the payment for our content distribution and promotion cost accounting for a higher percentage of revenue in the nine months ended September 30, 2018. Such payment was made in return of the corresponding cost incurred in content distribution and promotion, which was identical in amount and recognized as cost of revenue. Therefore, such payment does not generate gross profit and the increase of which would lower our gross margin. See “Business — Entertainment Content Services — Services Provided for Movies.” The decrease of our gross margin and adjusted net margin was also attributable, to a lesser extent, to the amortization of intangible assets resulting from business combination.

SUMMARY

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, (i) our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the Shares which may be issued pursuant to the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme; and (iii) the Shares to be issued pursuant to the conversion of 2018 CB upon completion of the Global Offering, on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue in 2017, being approximately RMB2,548.0 million (approximately HK\$2,908.7 million), which is over HK\$500 million, and (ii) our expected market capitalization at the time of our Listing, which, based on the low end of the indicative Offer Price range, exceeds HK\$16.6 billion.

DIVIDEND

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will depend on the availability of dividends received from our subsidiaries. PRC laws require a foreign-invested enterprise to make up for its accumulative losses out of its after-tax profits and allocate at least 10% of its remaining after-tax profits, if any, to fund its statutory reserves until the aggregate amount of its statutory reserves exceeds 50% of its registered capital.

Any amount of dividend we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividend will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

Historically we have not declared or paid any dividend to our Shareholders, and there is no assurance that dividends of any amount will be declared or distributed in any year. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio.

As advised by Walkers (Hong Kong), the Cayman Islands Legal Advisor to the Company, a Cayman Islands exempted company may pay dividends out of profits, retained earnings or share premium, subject to a solvency test, and the provisions, if any, of the company's memorandum and articles of association. The directors of the Company must be comfortable that they have satisfied their fiduciary duties when the dividends are declared and paid, and are satisfied that the Company will continue to be able to meet its obligations as they fall due after the payment of the dividend. Where dividends are paid out of share premium, there is a statutory test set out in Section 34(2) of the Cayman Islands Companies Law which provides that the share premium account may be applied by the company to pay dividends to its members, "[p]rovided that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the

SUMMARY

distribution or dividend is proposed to be paid, the company shall be able to pay its debts as they fall due in the ordinary course of business.” There is no provision under the Companies Law which expressly prohibits the Company to declare and pay dividends out of its share premium account even when the Company is loss-making.

GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 13,237,800 Offer Shares (subject to reallocation) in Hong Kong as described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this document; and
- (ii) the International Offering of an aggregate of initially 119,139,200 Shares (subject to reallocation and the Over-allotment Option), (a) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (b) outside the United States in reliance on Regulation S (including to professional and institutional investors in Hong Kong).

The Offer Shares will represent approximately 11.8% of the issued share capital of our Company immediately following the completion of the Global Offering (assuming full conversion of the 2018 CB into our Shares based on the high end of the Offer Price range), and approximately 11.8% of the issued share capital of our Company immediately following the completion of the Global Offering (assuming full conversion of the 2018 CB into our Shares based on the low end of the Offer Price range), based on the assumptions that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme.

RECENT DEVELOPMENTS

We entered into a cooperation agreement on July 2, 2018 with Huanxi Media Group Limited, an investment holding company principally engaged in media and entertainment and related businesses, to, among others, subscribe for approximately 15% of its equity interest (on a diluted basis). We are currently negotiating with a target company engaged in online video business, for potential acquisitions of certain businesses and assets. We are also negotiating with two target companies, one engaged in the entertainment production business and the other engaged in movie production, movie-making and movie distribution business, for potential acquisitions of their shares. See “History and Reorganization — Post Track Record Period Acquisitions” and “Appendix II — Supplementary Financial Information.”

We incurred a net loss of RMB76.1 million in 2017 and RMB144.0 million in the nine months ended September 30, 2018. We may continue to incur or incur a greater net loss in 2018 as compared to 2017 primarily due to incremental expenditure on user incentives around the Chinese New Year in 2018, to respond to market competition from our competitors and to strengthen our market leadership in the intensive market environment during the period. See “Appendix IV — Loss Estimate.” In

SUMMARY

addition, our results of operations fluctuated and may continue to fluctuate from time to time. See “Risk Factors — Risks Relating to Our Business and Industries — We have a history of net losses, and had net cash outflow in the nine months ended September 30, 2018, and may continue to incur net losses or have net cash outflow in the future” and “Business — Competition.”

Based on our unaudited management accounts, our revenue was RMB3,499.7 million in the eleven months ended November 30, 2018. Our gross profit was RMB2,199.2 million, representing a gross margin of 62.8%, in the eleven months ended November 30, 2018. Our selling and marketing expenses were RMB1,836.2 million and our operating loss was RMB117.7 million in the eleven months ended November 30, 2018.

The foregoing unaudited financial information for the eleven months ended November 30, 2018 is derived from our unaudited interim condensed financial information for the eleven months ended November 30, 2018. The Company is responsible for the preparation of its unaudited interim condensed financial information for the eleven months ended November 30, 2018 in accordance with International Accounting Standard 34 “Interim Financial Reporting.” Our unaudited interim condensed financial information for the eleven months ended November 30, 2018 has been reviewed by our Reporting Accountant in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

Our Directors confirm that there has been no material adverse change in our financial, operational or trading position or prospects since September 30, 2018, being the end date of our consolidated financial statements as set out in the Accountant’s Report in Appendix I to this prospectus, and up to the date of this prospectus, except otherwise disclosed in this prospectus.

LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

We have prepared the following loss estimate for the year ended December 31, 2018.

Estimated consolidated loss not more than RMB145.3 million (equivalent to attributable to equity holders of approximately HK\$165.9 million) the Company for the year ended December 31, 2018^{(1),(2)}

Notes:

- (1) The bases on which the above loss estimate has been prepared are summarized in Part A of Appendix IV to this prospectus. The Directors have prepared the estimated consolidated loss attributable to equity holders of the Company for the year ended December 31, 2018 based on the audited consolidated results of our Group for the nine months ended September 30, 2018, the unaudited consolidated results based on the management accounts of our Group for the two months ended November 30, 2018 and an estimate of the consolidated results of our Group for the remaining one month ended December 31, 2018. The loss estimate has been prepared on a basis consistent in all material respects with our accounting policies, as presently adopted and as set out in Note 2 of the Accountant’s Report of the Group, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated consolidated loss attributable to equity holders of the Company is converted into Hong Kong dollars at the exchange rate of HK\$1.00 to RMB 0.8760. No presentation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

SUMMARY

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 132,377,000 Shares are issued pursuant to the Global Offering; (ii) the Over-allotment Option is not exercised and without taking into account of any Shares which may be issued upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme.

	<u>Based on an Offer Price of HK\$14.80⁽¹⁾</u>	<u>Based on an Offer Price of HK\$20.40⁽²⁾</u>
Market capitalization of our Shares	HK\$16,668 million	HK\$22,820 million
Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	HK\$2.22 (RMB1.94)	HK\$2.88 (RMB2.52)

Notes:

- (1) The calculation of market capitalization is based on the assumption that 1,126,218,301 Shares are issued and outstanding immediately following the completion of the Global Offering based on an Offer Price of HK\$14.80 per Share.
- (2) The calculation of market capitalization is based on the assumption that 1,118,626,731 Shares are issued and outstanding immediately following the completion of the Global Offering based on an Offer Price of HK\$20.40 per Share.
- (3) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix III “Unaudited Pro Forma Financial Information” and on the basis that 1,125,797,529 Shares and 1,118,321,465 Shares are issued and outstanding based on the Offer Price of HK\$14.80 or HK\$20.40 per Share, respectively, as if the Global Offering had been completed as of September 30, 2018.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We expect to incur listing expenses of approximately RMB128.8 million (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised), of which approximately RMB68.3 million will be directly attributable to the issue of our Shares and capitalized. In addition, approximately RMB2.3 million and RMB24.7 million of the listing expenses were expensed in 2017 and the nine months ended September 30, 2018, respectively, and the remaining RMB33.5 million will be expensed in the last quarter of 2018. Our Directors do not expect such expenses to materially impact our results of operations in 2018.

SUMMARY

USE OF PROCEEDS

Assuming an Offer Price of HK\$17.60 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus, and assuming the Over-allotment Option is not exercised, we currently intend to use such net proceeds from the Global Offering as follows:

- approximately 30%, or HK\$654.8 million (equivalent to approximately RMB573.6 million), is expected to be used for funding the enhancement of our integrated platform capabilities to better serve users and business partners, by enriching content offerings and strengthening our services, expanding user reach, enhancing user engagement and reinforcing offline resources. See “Business — Our Services”;
- approximately 30%, or HK\$654.8 million (equivalent to approximately RMB573.6 million), is expected to be used for research and development as well as technology infrastructure to enhance our technological and data analytical capabilities and capacity. See “Business — Technology System and Infrastructure”;
- approximately 30%, or HK\$654.8 million (equivalent to approximately RMB573.6 million) is expected to be used for funding the potential investments and acquisitions which we may seek from time to time to expand our business operations, including our proposed acquisition of a minority stake in Huanxi Media. See “— Recent Developments”, “History and Reorganization — Post Track Record Period Acquisitions” and “Appendix II — Supplementary Financial Information.” Except for the foregoing, as of the Latest Practicable Date, we had not identified any other investment or acquisition target;
- approximately 10%, or HK\$218.3 million (equivalent to approximately RMB191.2 million), is expected to be used for working capital and general corporate purposes.

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, we currently intend to deposit such net proceeds into interest-bearing bank accounts with licensed commercial banks or other authorized financial institutions.

DEFINITIONS

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

“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Applications Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles of Association”	the articles of association of our Company, conditionally adopted on January 11, 2019 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“Beijing Maoyan”	Beijing Maoyan Cultural Media Co., Ltd. (北京貓眼文化傳媒有限公司), a company incorporated under the laws of the PRC on November 12, 2015 with limited liability and a Consolidated Affiliated Entity
“Beijing Sankuai Technology”	Beijing Sankuai Technology Co., Ltd. (北京三快科技有限公司), a company incorporated under the laws of the PRC on April 10, 2007 with limited liability, an operating entity of Meituan Dianping
“Beijing Shiji Weying”	Beijing Shiji Weying Culture Development Co., Ltd. (北京世紀微影文化發展有限公司), a company incorporated under the laws of the PRC on July 22, 2016, with the limited liability and one of our Registered Shareholders
“Beijing Weige Shidai”	Beijing Weige Shidai Entertainment Technology Co., Ltd. (北京微格時代娛樂科技有限公司), a company incorporated under the laws of the PRC on March 9, 2016 with limited liability and a Consolidated Affiliated Entity
“Beijing Weying Shidai”	Beijing Weying Shidai Technology Co., Ltd. (北京微影時代科技有限公司), a company incorporated under the laws of the PRC on May 29, 2014 with limited liability, one of our Pre-IPO Investors, the details of which are set out in the section headed “History and Reorganization” in this prospectus
“Board” or “Board of Directors”	the board of Directors of our Company
“Business day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

DEFINITIONS

“BVI”	the British Virgin Islands
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“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, joint individuals or a corporation
“CCASS Participant”	A CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Cheshire Investments Fund”	Cheshire Investments Fund, L.P., one of our Pre-IPO Investors, details of which are set out in the section headed “History and Reorganization” in this prospectus
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company” or “the Company”	an exempted company incorporated in the Cayman Islands with limited liability on December 8, 2017 under the names of Entertainment Plus from December 8, 2017 to August 22, 2018, Maoyan Entertainment Plus from August 22, 2018 to September 25, 2018, and Maoyan Entertainment since September 25, 2018, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance
“Consolidated Affiliated Entity(ies)”	entities whose financial results have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements, including Tianjin Maoyan Weying, Beijing Maoyan, Beijing Weige Shidai, Maoyan Pictures, Maoyan Enterprise, Ruihai Fangyuan, Maoyan Live JV, Xinjiang Maoyan Network and Tianjin Meimao

DEFINITIONS

“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, the WFOE, Tianjin Maoyan Weying and the Registered Shareholders, details of which are described in the section headed “Contractual Arrangements”
“Director(s)”	director(s) of our Company
“Draft Foreign Investment Law” or “2015 Draft Foreign Investment Law”	the Draft Foreign Investment Law (《中華人民共和國外國投資法(草案徵求意見稿)》) published by MOFCOM in January 2015
“EIT”	China’s enterprise income tax
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“Enlight”	for illustration purpose, means Mr. WANG Changtian, himself and his controlled entities, including Enlight Investment and Enlight Media, for the purpose of investment in our Company
“Enlight Investment”	Shanghai Enlight Investment Holding Co., Ltd. (上海光線投資控股有限公司), one of our Pre-IPO Investors and one of our Registered Shareholders, the details of which are set out in the section headed “History and Reorganization”
“Enlight Media”	Beijing Enlight Media Co., Ltd. (北京光線傳媒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code 300251), one of our Pre-IPO Investors and one of our Registered Shareholders, the details of which are set out in the section headed “History and Reorganization”
“Exchange Participant(s)”	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group” or “our Group” or “we” or “us”	our Company and its subsidiaries and the Consolidated Affiliated Entities (or our Company and any one or more of its subsidiaries or the Consolidated Affiliated Entities, as the context may require)

DEFINITIONS

“HK\$” or “HK dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Offer Shares”	the 13,237,800 Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the Application Forms as further described in “Structure of the Global Offering — Hong Kong Public Offering” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated Friday, January 18, 2019 and as amended and supplemented on Tuesday, January 22, 2019 relating to the Hong Kong Public Offering and entered into by, among others, our Company and the Hong Kong Underwriters, as further described in “Underwriting — Underwriting Arrangements and Expenses” in this prospectus
“ICP License”	Value-added Telecommunication Service Operation Permit

DEFINITIONS

“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
“International Offer Shares”	the 119,139,200 Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Offering”	the offer of the International Offer Shares by the International Underwriters outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act and in the United States to QIBs only in accordance with Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters, led by the Joint Representatives, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around Monday, January 28, 2019 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in “Underwriting — International Offering” in this prospectus

DEFINITIONS

“Joint Bookrunners”	China Renaissance Securities (Hong Kong) Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch, China Securities (International) Corporate Finance Company Limited, AMTD Global Markets Limited, Mirae Asset Securities (HK) Limited, CMB International Capital Limited, BOCI Asia Limited, ICBC International Capital Limited, China Merchants Securities (HK) Co., Limited, Haitong International Securities Company Limited and Futu Securities International (Hong Kong) Limited
“Joint Global Coordinators”	China Renaissance Securities (Hong Kong) Limited, Morgan Stanley Asia Limited, Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch, China Securities (International) Corporate Finance Company Limited and AMTD Global Markets Limited
“Joint Lead Managers”	China Renaissance Securities (Hong Kong) Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited, UBS AG Hong Kong Branch, China Securities (International) Corporate Finance Company Limited, AMTD Global Markets Limited, Mirae Asset Securities (HK) Limited, CMB International Capital Limited, BOCI Asia Limited, ICBC International Securities Limited, China Merchants Securities (HK) Co., Limited, Haitong International Securities Company Limited and Futu Securities International (Hong Kong) Limited
“Joint Representatives”	China Renaissance Securities (Hong Kong) Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), Merrill Lynch (Asia Pacific) Limited and UBS AG Hong Kong Branch
“Joint Sponsors”	Morgan Stanley Asia Limited and Merrill Lynch Far East Limited

DEFINITIONS

“Latest Practicable Date”	January 16, 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Linzhi Lixin”	Linzhi Lixin Information Technology Co., Ltd. (林芝利新信息技術有限公司), a company incorporated under the laws of the PRC on October 26, 2015 with limited liability and a company designated by Tencent to hold interests in Tianjin Maoyan Weying, one of our Pre-IPO Investors and one of our Registered Shareholders
“Listing”	listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or around February 4, 2019, on which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Maoyan Enterprise”	Tianjin Maoyan Enterprise Management and Consulting Co., Ltd. (天津貓眼企業管理諮詢有限公司), a company incorporated under the laws of the PRC on March 1, 2017 with limited liability and a Consolidated Affiliated Entity
“Maoyan Entertainment BVI”	Maoyan Entertainment (BVI) Ltd., formerly known as Entertainment Plus Holding Ltd., a company incorporated under the laws of British Virgin Islands on December 12, 2017 and a wholly-owned subsidiary of our Company
“Maoyan Entertainment HK”	Maoyan Entertainment (HK) Limited, formerly known as Entertainment Plus (Hong Kong) Limited, a company incorporated under the laws of Hong Kong on January 4, 2018 and a wholly-owned subsidiary of our Company
“Maoyan Live JV”	Tianjin Maoyan Live Technology Co., Ltd. (天津貓眼現場科技有限公司), a company incorporated under the laws of the PRC on June 19, 2018 with limited liability and a joint venture held by the WFOE and Tianjin Maoyan Weying as to 49% and 51% of its equity interests, respectively, and a Consolidated Affiliated Entity
“Maoyan Pictures”	Tianjin Maoyan Pictures Co., Ltd. (天津貓眼影業有限公司), a company incorporated under the laws of the PRC on June 8, 2015 with limited liability and a Consolidated Affiliated Entity
“Maoyan Technology/WFOE”	Tianjin Maoyan Weying Technology Co., Ltd. (天津貓眼微影科技有限公司), a company incorporated under the laws of the PRC on February 5, 2018 with limited liability and a wholly owned subsidiary of our Company

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“Meituan Dianping”	Meituan Dianping (美團點評) (HKEx Stock Code:3690), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 15, 2015, or Meituan Dianping and its subsidiaries and consolidated affiliated entities, as the case may be
“Memorandum and Articles of Association”	the amended and restated memorandum of articles of association and articles of association of our Company, conditionally adopted on January 11, 2019, with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“MIIT”	the Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK\$20.40 and expected to be not less than HK\$14.80, at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in “Structure of the Global Offering — Pricing of the Global Offering” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Stabilizing Manager (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 19,856,400 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC

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“Post-IPO Share Option Scheme”	the post-IPO share option scheme of our Company as approved on July 23, 2018, which was adopted by the Company to provide incentives and rewards to individuals and/or entities for their contribution, a summary of the principal terms of which is set out in “Statutory and General Information — D. Employee Incentive Scheme — Post-IPO Share Option Scheme” in Appendix VI to this prospectus
“PRC” or “China”	the People’s Republic of China. For the purposes of this document only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“PRC Legal Advisor”	Commerce & Finance Law Offices, the PRC legal advisor of our Company
“Pre-IPO Investments”	the Pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed “History and Reorganization”
“Pre-IPO Investors”	Enlight Investment, Enlight Media, Linzhi Lixin, Beijing Weying Shidai and Cheshire Investments Fund
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of our Company as approved on July 23, 2018, which was adopted by the Company as a continuation and restructuring of the employee share incentive scheme originally adopted by Tianjin Maoyan Weying on November 8, 2016, a summary of the principal terms of which is set out in “Statutory and General Information — D. Employee Incentive Scheme — Pre-IPO Share Option Scheme” in Appendix VI to this prospectus
“Price Determination Agreement”	the agreement to be entered into by the Price Determination Banks (for these and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Banks”	China Renaissance Securities (Hong Kong) Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only) and Merrill Lynch (Asia Pacific) Limited
“Price Determination Date”	the date, expected to be on or around Monday, January 28, 2019 (Hong Kong time) on which the Offer Price is determined, or such later time as the Price Determination Banks (for these and on behalf of the Underwriters) and our Company may agree, but in any event no later than Thursday, January 31, 2019

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“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Registered Shareholders”	Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Beijing Shiji Weying (or its affiliates, as the case may be), Linzhi Lixin and the Historical ESOP Platforms
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the offshore and onshore reorganization as set out in section headed “History and Reorganization — Reorganization”
“Restricted Share Agreement”	the restricted share agreement entered into among the Company, Mr. ZHENG Zhihao and Rhythm Brilliant Limited on July 23, 2018 to recognize and reward the contribution of Mr. ZHENG Zhihao to the Group, a summary of the principal terms of which is set out in “Statutory and General Information — D. Employee Incentive Scheme — Restricted Share Agreement” in Appendix VI to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	The RSU Scheme of our Company as approved on July 23, 2018, which was adopted by the Company to reward participants for their contribution to the Group and attract best available personnel, a summary of the principal terms of which is set out in “Statutory and General Information — D. Employee Incentive Scheme — RSU Scheme” in Appendix VI to this prospectus
“Ruihai Fangyuan”	Shenzhen Ruihai Fangyuan Technology Co., Ltd (深圳市瑞海方圓科技有限公司), a company incorporated under the laws of the PRC on July 13, 2017 with limited liability and a Consolidated Affiliated Entity
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Sankuai Technology”	Shanghai Sankuai Technology Co., Ltd. (上海三快科技有限公司), a company incorporated under the laws of the PRC on December 19, 2012 with limited liability, an operating entity of Meituan Dianping and one of our Registered Shareholders
“Share(s)”	ordinary shares in the share capital of our Company with a par value of US\$0.00002
“Shareholder(s)”	holder(s) of our Shares
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange (深圳證券交易所)
“Sole Financial Advisor”	China Renaissance Securities (Hong Kong) Limited
“Stabilizing Manager”	Morgan Stanley Asia Limited
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Vibrant Wide Limited and the Stabilizing Manager (or its agents) on or around the Price Determination Date
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Tencent”	Tencent Holdings Limited (HKEx Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company established in the PRC on November 11, 1998 and a wholly-owned subsidiary of Tencent
“Tianjin Maoyan Weying”	Tianjin Maoyan Weying Cultural Media Co., Ltd. (天津貓眼微影文化傳媒有限公司), formerly known as Tianjin Maoyan Cultural Media Co., Ltd. (天津貓眼文化傳媒有限公司), a company incorporated under the laws of the PRC on May 27, 2015 with limited liability and a Consolidated Affiliated Entity, which is a holding company of all the other Consolidated Affiliated Entities of our Group
“Tianjin Meimao”	Tianjin Meimao Cultural Media Co., Ltd. (天津美貓文化傳媒有限公司), a company incorporated under the laws of the PRC on November 22, 2018, with the limited liability and a Consolidated Affiliated Entity

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“Tianjin Caichuang”	Tianjin Caichuang Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩創企業管理諮詢合夥企業 (有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
“Tianjin Caixuan”	Tianjin Caixuan Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩綸企業管理諮詢合夥企業 (有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
“Tianjin Caiyi”	Tianjin Caiyi Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩溢企業管理諮詢合夥企業 (有限合夥)), a limited partnership incorporated under the laws of the PRC on May 5, 2016 and one of our Historical ESOP Platforms
“Tianjin Caiying”	Tianjin Caiying Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩盈企業管理諮詢合夥企業 (有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
“Tianjin Guanghong”	Tianjin Guanghong Enterprise Management and Consultation Partnership (Limited Partnership) (天津光鴻企業管理諮詢合夥企業 (有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
“Track Record Period”	three financial years ended December 31, 2015, 2016 and 2017, and nine months ended September 30, 2018
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Weying”	Beijing Weying Shidai, or Beijing Weying Shidai and/or its subsidiaries, as the case may be

DEFINITIONS

“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s own name
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO, at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Xinjiang Maoyan Live”	Xinjiang Maoyan Live Technology Co., Ltd. (新疆貓眼現場科技有限公司), a company incorporated under the laws of the PRC on December 21, 2017 with limited liability and currently a wholly owned subsidiary of Beijing Maoyan, and is in the progress of deregistration
“Xinjiang Maoyan Network”	Xinjiang Maoyan Network Technology Co., Ltd. (新疆貓眼網絡科技有限公司), a company incorporated under the laws of the PRC on November 10, 2016 with limited liability and a wholly owned subsidiary of Beijing Maoyan, and a Consolidated Affiliated Entity
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

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

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this document in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

Box office	the gross proceeds from movie ticket sales received by cinemas after deducting the refunds
CAGR	compound annual growth rate
GMV	the value of paid transactions on our platform, including the service fees and without regard to any refunds
Gross box office	box office and the service fees paid for online movie ticketing services
IP	intellectual property
MAU	monthly active users who access our platform through our apps or our self-operated channels on third-party platforms at least once during the calendar month in question. If the same person accesses two different apps or service portals on third-party platforms of ours over the course of a calendar month, this person would, under this methodology, be counted as two MAUs
Pre-screening	screening of a movie before formal release to selected audience for the promotion of publicity and word-of-mouth exposure of the movie
SaaS	“Software-as-a-Service”, a software delivery model in which software and associated data are centrally hosted on the cloud
Service fees	the commission for online movie ticketing services
Test-screening	screening of the unedited raw footage of a movie to a sample audience simulating the demographic profile of the target audience for feedback to guide the post-production work including the post-shooting editing
Transaction user(s)	users who buy movie tickets on our platform through our apps or our self-operated channels on third-party platforms, regardless of whether they use discounts we may from time to time provide. If the same person transacts through two different apps or service portals on third-party platforms of ours for the relevant period, this person would be counted as one transaction user in our calculation of the total number of transaction user

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “estimate”, “predict”, “aim”, “intend”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “could”, “would”, “continue”, or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- various business opportunities that we may pursue; and
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that most of our operations are conducted in the PRC which is governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning the PRC and certain related matters discussed below, see “Regulatory Overview”, “Appendix V — Summary of the Constitution of the Company and Cayman Islands Companies Law.”

These factors are contingencies that may or may not occur and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof and is subject to the cautionary statements in “Forward-looking Statements.”

RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

We have a limited operating history in a dynamic market, which makes it difficult to evaluate our prospects.

We started our business in 2013 and have a limited length of operating history. Our total revenue grew from RMB596.7 million in 2015 to RMB1,377.5 million in 2016, and further to RMB2,548.0 million in 2017, representing a CAGR of 106.6%. Our revenue in the nine months ended September 30, 2017 and 2018 was RMB1,534.6 million and RMB3,062.3 million, respectively, representing a growth rate of 99.6%. Although we have experienced significant revenue growth since our inception, we cannot assure you that our revenue will continue to increase at previous rates or at all. Our short operating history makes it difficult to assess our future prospects or forecast our future results.

The risks and challenges we might face involve our abilities to, among other things:

- develop and launch diversified and distinguishable services and features to effectively address the needs of our users and business partners;
- grow our user base, maintain and enhance our user engagement in a cost-effective manner;
- enhance and maintain the value of our brand;
- develop or implement additional strategic initiatives to further enhance our monetization capabilities;
- maintain and expand market share in online entertainment ticketing services in a cost-effective manner;
- maintain attractiveness to and enhance recognition from our business partners for our entertainment content services;

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- maintain a reliable, secure, high-performance and scalable technology infrastructure that can efficiently handle increasing usage;
- develop and maintain relationships with our business partners, including movie cinemas, other entertainment industry participants, advertisers and e-commerce partners;
- successfully compete with other market players, some of which might have substantially greater resources and market power than we do;
- maintain our innovative company culture and continue to attract, retain and motivate talented employees;
- generate reasonable returns on our investments or realize synergies from our strategic acquisitions; and
- defend ourselves against litigation, regulatory interference, claims concerning intellectual property or privacy or other aspects of our business.

The market in which we operate is highly dynamic and may not develop as expected. Our users and business partners may not fully understand the value of our services and potential new users and business partners may have difficulty distinguishing our services from those of our competitors. If we fail to convince users and business partners of the value of our services, the market for our services does not continue to develop as we expect or we fail to address the needs of this dynamic, evolving market, our business may be materially and adversely affected.

Our success depends, in significant part, on the general prosperity and development of China's entertainment industry.

Our various business operations along the entertainment industry value chain are subject to the overall prosperity of China's entertainment industry, which may fluctuate significantly from time to time. According to the iResearch Report, the overall market size of China's entertainment industry grew from RMB579.4 billion in 2012 to RMB1,283.0 billion in 2017, representing a CAGR of 17.2%. Such growth may not be sustained in future periods and is subject to various factors beyond our control, including the general economic conditions, people's leisure time, spending power and demand for entertainment services and changes and uncertainties of relevant laws, rules and regulations, none of which can be predicted with certainty. See "Industry Overview." Any fluctuation or downturn in the overall development of China's entertainment industry may reduce demand for our services and thus materially and adversely affect our business, financial condition and results of operations.

In particular, the online penetration rate of movie ticketing in China increased from 18.4% in 2012 to 85.5% in the nine months ended September 30, 2018, according to the iResearch Report. As the online movie ticketing market in China has become relatively saturated, the growth of our online movie ticketing services may in turn be limited. If we are unable to sustain the growth of our online movie ticketing services, our financial condition and results of operations may be materially and adversely affected.

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If we fail to retain or grow our user base, or if our user engagement ceases to grow or declines, our business, financial condition and results of operations may be materially and adversely affected.

Our business, in general, depends heavily on the size of our user base and level of our user engagement. In particular, entertainment content services and advertisement services rely on not only the user data intelligence generated but also the user reach we could provide our business partners through our user platform, both of which also depend on the size of our user base and the level of our user engagement. Our average MAU reached 134.6 million in the nine months ended September 30, 2018. As of September 30, 2018, our platform had 158.0 million user ratings and over 70.6 million commentaries. Our business has and will continue to depend on our user base and user engagement. If users no longer view our services as useful or attractive as compared to those of our competitors, or at all, we may not be able to maintain or increase our user base or level of user engagement.

A number of factors could adversely affect our user engagement, retention or growth, including:

- despite our continual monitoring, research and analysis of user needs, we may be unable to identify and meet evolving user demands;
- we may not be able to continue to successfully drive organic growth of users through word-of-mouth referrals and promotional efforts, and may need to increase our promotion and advertising spending or devote more additional resources to acquire and retain users;
- we rely in part on third-party platforms to provide users with access to our services. If our cooperation with the third-party platforms experiences any suspension, interruption or termination, our user acquisition or retention will be adversely affected;
- the growth of our user base may plateau with the increasing penetration rate of online entertainment ticketing services;
- we may not be able to carry out our sales and marketing efforts, including the use of user incentives, in an efficient and effective manner;
- we may be unable to prevent incidents which may lead to negative public perception of us or damage our reputation;
- we may encounter technical or other problems that prevent our services from operating in a smooth and reliable manner or otherwise compromise user experience;
- our competitors may offer services superior to ours with better user experience or greater user incentives, which may erode our existing user base or hinder our user growth;
- we may fail to address user concerns related to privacy, data safety or security; and
- we may be compelled to compromise user experience to comply with legislation, regulations, government policies or requests from government authorities.

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If our user retention, engagement or growth is adversely affected by any of the foregoing or otherwise, our business, financial condition or results of operations may be materially and adversely affected.

Our operations depend in part on our relationships with our strategic and business partners, and the potential equity investment from our strategic partners may not materialize.

We have established strategic partnerships with Tencent and Meituan Dianping in various areas. See “Business — Our Strategic Partners.” A significant portion of our users access our online entertainment ticketing services through portals operated by us on Tencent’s *Weixin* and *QQ* apps and Meituan Dianping’s apps. In 2017 and the nine months ended September 30, 2018, the average MAU of our services through our channels on *Weixin* and *QQ* apps was 43.4 million and 55.6 million, respectively; the GMV of our online movie ticketing services through our channels on *Weixin* and *QQ* apps was RMB1,644.1 million and RMB7,737.2 million, respectively. In 2015, 2016, 2017 and the nine months ended September 30, 2018, the average MAU of our services through our channels on *Meituan* and *Dianping* apps was 31.8 million, 49.8 million, 66.2 million and 72.2 million, respectively; the GMV of our online movie ticketing services through our channels on *Meituan* and *Dianping* apps was RMB10,220.1 million, RMB12,189.6 million, RMB17,360.1 million and RMB15,333.0 million, respectively. See “Business — Our Platform — User Platform — Access to Our Platform.” If our agreements with Tencent and Meituan Dianping were altered or terminated prior to expiration, or if access to our services on Tencent and Meituan Dianping platforms were to change or become less effective, less convenient or unavailable, we might be unable to retain existing users or attract new users, and thus experience a decline in user growth. Furthermore, we cannot assure you that we will be able to renew our agreements with Tencent or Meituan Dianping on the same or more favorable terms and conditions, or at all, upon expiration of their respective terms.

Tencent has expressed its interest in deepening its relationship with us through exploring more extensive business cooperation. In addition, while the rules and regulations in Hong Kong generally do not permit existing substantial shareholders of a listing applicant to participate in its initial public offering, Tencent may purchase securities of our Company in the future in compliance with all applicable laws, regulations and rules. See “Business — Our Strategic Partners.” Tencent’s decision to further invest in us could be affected by various factors including both commercial and legal considerations, such as their investment strategies, internal or external approvals and compliance with applicable laws, regulations and rules. We cannot assure you that Tencent will make the above mentioned further equity investments.

In addition, our online entertainment ticketing services require us to enter into cooperation agreements with cinemas, cinema circuits or event promoters. We also work with entertainment content producers, distributors and promoters and industry professionals. There can be no assurance that we will be able to maintain these relationships and that the business partners will continue to enter into arrangements with us on favorable terms, or at all, as both the market and our business are evolving. For example, our relationship with a business partner may be materially and adversely affected if it perceives us as engaging in any competing business. In addition, as we enter other businesses, we also need to establish cooperation with new business partners, and there is no assurance that we can successfully establish such cooperation on favorable terms, or at all. Failure to maintain or continue our relationship with any strategic or important business partner may materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to respond effectively to changes in the entertainment market, which may materially and adversely affect our market share, user retention and results of operations.

The entertainment industry is rapidly evolving. Although we continually review our business with a view to meeting market trends, we cannot assure you that we will successfully capture market trends to grow our business.

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For example, emerging media or entertainment formats may change the way in which content is created, delivered or consumed, or compete for users' time and attention. This may pose challenges to our existing business, while also providing us with opportunities to expand into new entertainment formats. We cannot accurately predict the overall effect of such market trends on our business operations, nor can we assure you that we will be able to withstand the challenges or capture the opportunities. In particular, recent years have witnessed growing popularity in watching movies or other entertainment content online. Such a trend could hinder the growth of, or cause a decrease in, attendance at cinemas, theaters or other venues, which may in turn materially and adversely affect our online entertainment ticketing services.

Furthermore, developments in the entertainment industry are often accompanied by changes in technologies and may require our business partners and us to enhance research and development capabilities to keep up with technology developments. See “— If we fail to keep up with technological developments and evolving user demands and expectations, our business, financial condition and results of operations may be materially and adversely affected.” Failure to respond effectively to market developments may result in our services being less attractive or relevant, which in turn may materially and adversely affect our business, financial condition and results of operations.

We may not be able to fully replicate our success across entertainment formats.

We may diversify into other entertainment format markets. Such markets may have distinctive characteristics or needs and our insights and expertise from our existing business may not be as useful as we expect in such new markets. Our lack of track record or familiarity with these new markets may make it difficult for us to meet user demand, keep up with the market developments, successfully compete and expand our operations. Furthermore, there may be existing market players with strong competitive edges in these markets. Such market players may be able to conduct their businesses more effectively than us, leveraging their more established market position. In addition, we may not be able to establish extensive or necessary cooperation with business partners in these new areas on favorable terms, or at all, which may further hinder our chance to succeed. If we cannot fully replicate our success in new entertainment format markets, our business, prospects and results of operations may be materially and adversely affected.

In addition, expansion into new markets may further require significant attention from our management and could result in a diversion of resources from our existing business, which in turn may materially and adversely affect our business operations.

Our business depends significantly on the strength and market perception of our brand, and our brand image may be materially and adversely affected by negative publicity.

We have built Maoyan into a well-recognized brand in the entertainment industry, which is critical to our business operations and continuous efforts to expand the bases of our users and business partners. Our business and financial performance is highly dependent on the strength and the market perception of our brand and services.

Any negative publicity involving us, our management, our entertainment content, our users, our business partners and our industry may harm our brand. In particular, given the nature of the entertainment industry, we are more exposed and susceptible to negative publicity. We may not be able to defuse any negative publicity about us, our management or our services to the satisfaction of our

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users and business partners. Negative publicity about our brand may also require us to engage in defensive media campaigns and legal actions, which may increase our marketing or legal expenses and divert our management's attention and may materially and adversely affect our brand image and our business, financial condition and results of operations.

If we are unable to compete effectively, our user base, market share and profitability may be materially and adversely affected.

China's entertainment industry is, and is expected to remain, highly competitive. Our competitors may have broader or more integrated business lines across the entertainment industry value chain, greater brand recognition, stronger relationships with business and strategic partners, larger user bases, longer operating histories or greater financial, technological or marketing resources. As a result, they may be able to respond more quickly and effectively to new or changing opportunities, technologies, regulatory requirements or user demands than us, or incentivize users in a more effective manner. We may also need to devote more marketing resources and incur higher selling and marketing expenses. Such competition may pose challenges to our business operations, and materially and adversely affect our user base, market share and profitability.

Certain of our business operations are capital-intensive, and we may not always be able to meet our planned funding needs in a cost-effective manner, or at all.

Certain of our business operations, for example, our entertainment content services, are capital-intensive. The costs of entertainment content distribution, promotion and production may increase in the future. Cash from internal resources, including our working capital, may not be adequate to fund all these needs and we may seek external funding. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and PRC governmental regulations concerning foreign investment and the entertainment industry. In addition, indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. Consequently, external financing may not be available in sufficient amounts for us to continue to make substantial investments or may be available only on terms that are disadvantageous to us, either of which may materially and adversely affect the growth of our business and results of operations.

The results of the entertainment content projects we participate in are subject to uncertainties.

The commercial results of the entertainment content we distribute, promote or co-produce are subject to factors beyond our control, including the regulatory approval for release, shifts in audience preferences for entertainment content or content formats, competition with concurrently running movies, entertainment events or TV series, web series, web movies and variety shows, market reception and professional critics. If our projects underperform, we may fail to realize expected economic return or recoup advances we paid or investments we made. Any of these may materially and adversely affect our business, financial condition and results of operations.

In addition, the production of such content is subject to a number of uncertainties. Risks such as illness, disability or the death of key production crew members or their involvement in

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non-compliance incidents or negative publicity, for example, recent investigations into the tax evasion incidents of certain industry professionals, technical complications or other aspects of production, shortages of necessary equipment, damage to film negatives, master tapes and recordings, negative publicity related to our projects, or adverse weather conditions may cause cost overruns, delay or frustrate completion of a production, or hinder our distribution and promotion activities.

We participated as a co-producer in the production of 4, 11 and 16 movies in 2016, 2017 and the nine months ended September 30, 2018, respectively. For the same periods, 3, 6 and 8 of such projects were loss-making, incurring gross loss of RMB6.1 million, RMB37.9 million and RMB67.7 million, respectively. In the future, we may incur losses from individual movie production projects or our entertainment content production services as a whole. We cannot assure you that our entertainment content production services will remain profitable and investment losses from such services may materially and adversely affect our business, financial condition and results of operations.

We may incur increased expenses and may not be able to successfully complete or realize expected benefits from our investments or acquisitions.

We have conducted in the past and may in the future conduct investments or acquisitions. During the Track Record Period, we acquired or invested in several companies to expand our service offerings, user base, business scale and market share or enhance our relationships with business partners. See “History and Reorganization.” Certain of our expenses or costs, including general and administrative expenses, expenses for professional services and depreciation and amortization expenses, might increase as a result of our investments or acquisitions and may in turn affect our financial condition. Investment and acquisition activities also involve significant risks and uncertainties, including:

- difficulties in identifying suitable targets and competition from other potential buyers or bidders who might also be our competitors;
- difficulties in determining the appropriate purchase price of the target, which may result in potential impairment of goodwill;
- increased costs and delays as a result of difficulties in obtaining approvals or consent from the relevant government authorities and complying with applicable laws, rules and regulations;
- non-performance by the counterparty;
- potential increases in debt, which may increase our finance costs as a result of interest payments; and
- exposure to unanticipated contingent liabilities of the target.

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In addition, integration of newly acquired businesses may be costly and time-consuming and could present us with significant risks and difficulties in various aspects, including:

- integrating the operations and personnel of the acquired businesses and implementing uniform IT systems, controls, procedures and policies and sharing proprietary information;
- retaining relationships with key employees, customers and business partners of the acquired businesses;
- successfully entering business segments or geographic markets in which we have no or limited prior experience; and
- achieving the anticipated synergies and strategic or financial benefits from the acquisitions.

For example, on May 26, 2017 after the Pre-IPO Investment by Enlight, see “History and Reorganization — Material Shareholding Change and Pre-IPO Investments — Pre-IPO Investment by Enlight”, we entered into an equity purchase agreement with Enlight Media, pursuant to which we acquired a 68.55% equity interest in Jietong Wuxian from Enlight Media. Before the acquisition, Jietong Wuxian, which operated its online ticketing platform through Wangpiao.com, was competing with us. We expected to further increase market share and strengthen our market position through acquiring smaller online ticketing platforms like Jietong Wuxian. However, after the acquisition, the founder and remaining shareholders of Jietong Wuxian, together with its management team, gradually deviated from us in terms of the management philosophy, business strategy and approach of Jietong Wuxian. Despite our efforts to reconcile such difference, we found it challenging to resolve the disagreement. As a result, we decided to dispose of Jietong Wuxian in July 2018, instead of committing or allocating additional resources, time and cost to address the significant gap in terms of management philosophy, business strategy and approach.

As a result of the foregoing, we cannot assure you that any investments or acquisitions that we conduct in the future will be successful. Failure in executing our investment or acquisition plans could have a material adverse effect on our business, financial condition and results of operations. For example, if the acquired business fails to perform, we may need to recognize goodwill impairment, which will adversely affect our results of operations. Any future investments or acquisitions or the subsequent integration of new assets and businesses into our own may require significant attention from our management and could result in a diversion of resources from our existing business, which in turn may materially and adversely affect our business operations.

Impairment of goodwill may materially and adversely affect our results of operations.

Our goodwill increased significantly to RMB4.5 billion as of December 31, 2017, primarily as a result of the Weying Acquisition in 2017. This goodwill represents the excess of the consideration transferred over the fair value of the identified net assets acquired. We have conducted impairment reviews on our goodwill as of December 31, 2017 and September 30, 2018 following the Weying Acquisition. Our goodwill impairment loss was RMB46.9 million and RMB62.8 million for 2017 and

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the nine months ended September 30, 2018, respectively, as recognized from our disposal of Jietong Wuxian. We may recognize goodwill impairment in the future, as required under further similar reviews. See “Financial Information — Discussion of Certain Key Balance Sheet Items” and Note 8 and Note 15 of the Accountant’s Report in Appendix I to this prospectus.

Goodwill arising from acquisitions represents 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 identified net assets acquired. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Determining whether goodwill is impaired requires us to estimate the value-in-use of the cash generating unit to which we have allocated goodwill. This value-in-use calculation requires us to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate to calculate the present value. Where the book value of the cash generating unit exceeds its value-in-use, an impairment loss may arise. See Note 2.6(i) to the Accountant’s Report in Appendix I to this prospectus.

There are inherent uncertainties related to these factors and to our judgment in applying these factors to the assessment of goodwill recoverability. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there is any impairment indicator which could potentially be caused by our failure to successfully integrate the operations of the acquirees with our existing operations. Impairment recognition could substantially affect our results of operations. In addition, impairment recognition would materially and adversely affect our financial ratios and could limit our ability to obtain financing at favorable terms, or at all, in the future.

Impairment of our intangible assets could materially and adversely affect our results of operations.

We had intangible assets of RMB5,608.2 million as of December 31, 2017, primarily including goodwill of RMB4,452.0 million resulting from the Weying Acquisition. Our intangible assets decreased to RMB5,424.0 million as of September 30, 2018, primarily due to the amortization of intangible assets resulting from business combination and the goodwill impairment loss recognized from our disposal of Jietong Wuxian. As of December 31, 2017 and September 30, 2018, we had other intangible assets including trademarks, software, platforms and customer relationships. See “Financial Information — Discussion of Certain Key Balance Sheet Items.”

We are required to review our intangible assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, including a decline in company value and a slowdown in our industry. We compete in a highly competitive market environment characterized by, among other factors, brand recognition, size and engagement level of user base, service and content offerings, partnership and marketing resources, and technology and big data capabilities, which could negatively affect the assumptions used in estimating cash flow from relevant intangible assets for impairment assessment and the estimated useful lives of intangible assets. If the carrying value of our intangible assets is determined to be impaired, we would be required to write down the carrying value or record charges to earnings in our financial statements, which could materially and adversely affect our financial condition and results of operations.

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We are subject to credit risk associated with the accounts receivables.

During the Track Record Period, our accounts receivables were RMB188.7 million, RMB140.8 million, RMB311.0 million and RMB379.2 million as of December 31, 2015, 2016 and 2017 and September 30, 2018, respectively. See “Financial Information — Discussion of Certain Key Balance Sheet Items — Accounts Receivables.” Our accounts receivables primarily consist of accounts receivables from our online entertainment ticketing services and our entertainment content services. There is no assurance that all such amounts due to us will be settled on time. Accordingly, we face credit risk associated with the accounts receivables. If our customers or other business partners delay or default on their payments, we may have to make provision for impairment, write off the relevant receivables and/or incur legal costs in order to enforce our rights. We made provision for impairment of accounts receivables of RMB2.7 million, RMB7.4 million and RMB2.8 million in 2015, 2017 and the nine months ended September 30, 2018, respectively. Our business, financial condition and results of operations may be materially and adversely affected if significant accounts receivables are not settled on time, or at all.

Our financial assets at fair value through profit or loss are subject to fair value changes, and there are inherent uncertainties associated with their fair value measurement.

We had financial assets which were measured at fair value through profit or loss. See “Financial Information — Discussion of Certain Key Balance Sheet Items — Financial Assets at Fair Value through Profit or Loss.” The fair value of our financial assets at fair value through profit or loss will be subsequently determined using a valuation model based on assumptions that are not supported by observable market prices or rates. See Note 3.3 to the Accountant’s Report in Appendix I to this prospectus. Valuation of our financial assets at fair value through profit or loss is based on assumptions with respect to factors including historical financial results, future growth rates, estimates of weighted average cost of capital, recent market transactions, discount for lack of marketability and other exposures, certain of which are beyond our control or the control of any party involved in the valuation exercise. The measurement of the fair value of these instruments further requires significant judgment, including the likelihood of non-performance by the investee company, financial performance of the investee company, market value of comparable companies and discount rates. Given the inherent uncertainties associated with such measurement, the fair value of our financial assets at fair value through profit or loss is subject to various variations, adjustments and alterations, as well as market conditions and other factors. Any material and adverse changes in the value of the financial assets at our fair value through profit or loss may materially and adversely affect our business, financial condition and results of operations.

We have a history of net losses, and had net cash outflow in the nine months ended September 30, 2018, and may continue to incur net losses or have net cash outflow in the future.

We have incurred significant net losses since our inception. We incurred net losses of RMB1,297.5 million, RMB508.2 million and RMB76.1 million in 2015, 2016 and 2017, respectively, and RMB152.1 million and RMB144.0 million in the nine months ended September 30, 2017 and 2018, respectively, while we had adjusted net loss of RMB1,270.2 million, RMB300.5 million and RMB16.9 million in 2015, 2016 and the nine months ended September 30, 2018, respectively, and had adjusted net profit of RMB123.9 million in 2017 and RMB12.4 million in the nine months ended

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September 30, 2017, respectively. We may not be able to become profitable in the near future. Our results of operations fluctuated and may continue to fluctuate from time to time. Our profitability depends on our ability to grow our business and increase our revenue and our ability to control our costs and operating expenses. Although we have experienced significant revenue growth since our inception, such growth may not be sustainable at its historical rate. In addition, we expect our costs and other operating expenses to increase as we expand our business. If our costs and operating expenses continue to increase without a commensurate increase in our revenue, we may not be able to become profitable.

In 2015 and the nine months ended September 30, 2018, we had net cash outflow generated from operating activities of RMB989.7 million and RMB1,433.5 million, respectively. See “Financial Information — Liquidity and Capital Resources — Cash Flow.” Net cash outflow may require us to obtain external financing to meet our financial needs. If we are unable to do so, we may be in default of payment obligations, or unable to develop business as planned, which in turn may materially and adversely affect our business, financial condition and results of operations.

We are subject to risks of piracy, copyright and trademark infringement.

Entertainment content piracy is extensive in many parts of the world and has been aggravated by technological advances, which enables the conversion of entertainment content into digital formats and illegal downloading on the Internet. Unauthorized copying and piracy of entertainment content are prevalent in the PRC and many other countries, where the current legal systems may make it difficult for copyright owners such as us and our business partners to enforce intellectual property rights. As a result, the creation, transmission and sharing of high quality unauthorized copies of entertainment content at or prior to release has proliferated. This in turn will reduce our revenue from online entertainment ticketing and entertainment content services. If such sale of pirated entertainment content and the illegal downloading persists, our financial performance will be materially and adversely affected.

Additionally, we rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain or use our intellectual property, including seeking court declarations that they do not infringe upon our intellectual property rights.

Monitoring unauthorized use of intellectual property is difficult and costly, and the steps we or our business partners have taken may not fully prevent the infringement or misappropriation of our intellectual property rights. From time to time we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources, and thus may materially and adversely affect our business.

Our failure to comply with laws, rules and regulations as well as changing laws, rules and regulations and legal uncertainty, could materially and adversely affect our business, financial condition and results of operations.

Our business operations are subject to a variety of PRC laws, rules and regulations, affecting various aspects of our operations, including, among others, ownership structure, requisite licenses,

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marketing strategy, entertainment content, customer relationship and intellectual property. See “Regulatory Overview.” Our failure to comply with these laws and regulations could result in fines and/or proceedings against us by regulatory authorities and/or affected parties which, if material, could materially and adversely affect our business, financial condition and results of operations.

In addition, the promulgation of new laws, rules and regulations that restrict or otherwise unfavorably affect the ability or manner in which we operate would require us to adopt certain changes to ensure compliance, and could decrease demand for our services, reduce revenue, increase costs, limit profitability and/or subject us to additional liabilities. In particular, some media reported that the Chinese film regulator may introduce new policy changes including, among others, (i) limiting the amount of service fee per ticket charged for online entertainment ticketing services; and (ii) prohibition of payment discount to movie ticket prices, which is also referred to as user incentives, through online ticketing platforms. Limitations on the amount of service fee could reduce our revenue, limit our profitability from online entertainment ticketing services and negatively affect our operational cash flow. Prohibition of payment discount to movie ticket prices could have a negative impact on China’s online entertainment ticketing market as a whole or on its future growth, and affect the GMV on our platform, which may, in turn, materially and adversely affect our revenue from online entertainment ticketing. Such restrictions may also require us to adopt changes in our marketing activities and affect our ability or manners of operation and competition. Any of the above changes, or any failure to comply with the requirements imposed, could materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, we were fined by the relevant governmental authorities for failing to hold the license required for providing movie-related videos on our platform. Our engagement in certain pre-paid card or voucher business and our past settlement practices may give rise to the risk of us being deemed as inadvertently engaging in payment activity without the required license. We have proactively taken measures to adjust our business practice in line with applicable laws and regulations. Nevertheless, there can be no assurance that the relevant governmental authorities would not make an unfavorable determination against us for certain of our historical business practices, which may subject us to potential liabilities that may materially and adversely affect our business. See “Business — Legal Proceedings and Compliance — Compliance.”

Our business involves risks of liability claims for entertainment content or advertisements, which could materially and adversely affect our business, financial condition and results of operations.

In our entertainment content services and our advertising services we may face potential liability for defamation, subversion, invasion of privacy, negligence, copyright or trademark infringement and other claims based on the nature and content of the materials distributed.

These types of claims have been brought, sometimes successfully, against companies providing various forms of entertainment content services and advertising services. Such claims, even if unfounded, may lead to negative public perception of us and damage our reputation or brand image. Any imposition of liability could materially and adversely affect our business, financial condition and results of operations.

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Our success depends, in part, on the integrity of our technology systems and infrastructure. System interruptions in these technology systems and infrastructure may materially and adversely affect our business, financial condition and results of operations.

We may experience technology system disruptions, outages and other large-scale performance problems due to a variety of factors, including technology infrastructure changes, human or software errors, hardware failure, capacity constraints due to an unusually large number of users accessing our services simultaneously, computer viruses and denial of service, fraud and security attacks, whether such disruptions, outages or other problems are caused by ourselves or by third-party service providers. Such disruptions, outages or other problems might make some or all of our systems or data unavailable or prevent us from efficiently providing services or fulfilling orders.

During the Track Record Period, we experienced temporary system disruptions and we responded and resolved these issues shortly after we received the relevant reports. However, we may encounter similar or more material issues in the future. As the number of our users increases and the amount of our user-generated data continues to grow, we may be required to expand and adapt our technology and technology infrastructure to continue to reliably store, process and analyze such data. It may become increasingly difficult and costly to maintain and improve the performance of our services, especially during peak usage times, as our user traffic increases. If users are unable to access our services in a timely manner, or at all, our user experience may be compromised and the users may seek other services to meet their needs and may not use our services as often in the future, or at all. This may materially and adversely affect our ability to retain or grow our user base or maintain the level of user engagement and/or perception of our services which in turn may materially and adversely affect our business, financial condition and results of operations.

If we fail to keep up with technological developments and evolving user demands and expectations, our business, financial condition and results of operations may be materially and adversely affected.

We operate in a market characterized by rapidly developing technologies, evolving industry standards, frequent new service launches and updates and changing user demands and expectations. The continuing popularity of our services and our ability to further monetize depend in significant part on our ability to adapt to these rapidly changing technologies and industry standards as well as our ability to continually innovate in response to evolving user demands and expectations and intense market competition. Any failure on our part to act effectively in any of these areas may materially and adversely affect our business, financial condition and results of operations.

Moreover, enhancing existing technologies and incorporating new technologies into our services may involve numerous technical challenges, substantial capital and personnel resources and significant time, and we may not be able to meet these challenges effectively due to various factors, some of which are beyond our control. For instance, our ability to provide big data analyses relies, in part, on the extensive user data on our platforms. If we fail to retain or expand our user base or maintain user engagement levels, the amount of data available to us for analysis would be affected, and our ability to provide big data analyses may be materially and adversely affected. Thus, all of the factors that affect the size and level of engagement of our user base also affect our ability to keep up with technology and user expectations. See “— If we fail to retain or grow our user base, or if our

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user engagement ceases to grow or declines, our business, financial condition and results of operations may be materially and adversely affected.” Although we have and will continue to devote significant resources to the enhancement and development of technologies and services, we may not be able to effectively develop or integrate new technologies on a timely basis or at all, which may decrease user satisfaction. In addition, new technologies may not succeed or integrate well with our services, and even if integrated, may not function as expected or may be unable to retain and grow our user base. Our failure to keep pace with rapid technological changes may affect our ability to retain or grow user base or generate revenue, and have a material adverse effect on our business, financial condition and results of operations.

Privacy concerns relating to the use of user information by us or third parties, or any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies, could adversely affect our user base or user engagement, or subject us to governmental regulation and other legal obligations, which could materially and adversely affect our business, financial condition and results of operations.

We receive, transmit and store a large volume of personally identifiable information and other user-generated data. Part of our user-generated-content is stored on servers maintained by third parties who have access to such user data. In addition, certain partners of our business may also have access to users’ data. For example, we had certain data-sharing arrangements with Tencent and Meituan Dianping under our strategic partnerships with them. See “Business — Our Strategic Partners” for details. We face risks inherent in handling a large volume of data and in protecting the security of such data.

There are various PRC laws, rules and regulations regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information and user data. Personally identifiable information is also increasingly subject to legislation and regulations in numerous jurisdictions around the world, the intent of which is to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction. We currently do not conduct overseas business operations that would subject us to any such legislation or regulation of a foreign jurisdiction. If we expand our services overseas, such legislations and regulations might become relevant.

We strive to comply with and prompt business partners to comply with applicable data protection laws and regulations and our own privacy policies with respect to privacy and data protection. Concerns about the collection, use, disclosure or security of personal information or other privacy-related matters on the part of us or the third parties with whom we do business, could damage the reputation of these businesses, discourage potential users from trying our services and/or result in fines or proceedings by regulatory authorities or consumers, any or all of which could materially and adversely affect our business, financial condition and results of operations. We rely on security measures and technology to safeguard confidential and proprietary information in our information systems and we also rely on our third-party vendors to take appropriate measures to protect the confidentiality of the information on those information systems. However, these measures and technology may not adequately prevent security breaches. Our information systems may become unavailable or fail to perform as anticipated for various reasons, including viruses, loss of power or human error. Any system failure or security breach that results in the release of, or unauthorized access

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to, personal data, or any failure or perceived failure by us or any third-party vendors to comply with applicable privacy and data protection laws, regulations and policies, could result in proceedings against us by regulatory authorities or others. Such proceedings could result in the imposition of sanctions, fines, penalties, liabilities, or governmental orders requiring us to change our data collection, transfer and storage practices, any of which may materially and adversely affect our business, financial condition and results of operations.

In addition, the interpretation of and potential changes to privacy and data protection laws and their application to the mobile Internet industry is unclear and in a state of flux. There is a risk that these laws, or any subsequent changes, may require changes in our business practices or privacy policies, or in other ways that may materially and adversely affect our business, financial condition and results of operations.

We are subject to risks relating to disputes over intellectual property rights.

Companies in the entertainment industry as well as in the Internet and technology industries are frequently involved in litigation related to allegations of infringement of intellectual property rights.

In accordance with the provision of Article 15 of the Copyright Law of the PRC, the copyright of movies and entertainment content created in ways similar to that of movies shall belong to the producers, but the directors, screenwriters and production crew shall have the rights of authorship and be entitled to receive remuneration in accordance with their contracts with the producers; and the authors of the works that can be used separately such as the scripts and music for movies and entertainment content created in ways similar to that of movies shall be entitled to exercise their copyright separately. Therefore, disputes related to intellectual property rights entitlement may exist among the production parties involved in the entertainment content services. In addition, with regard to creative content such as scripts and music used in our movies, there exists the potential risk of infringing the intellectual property rights of third parties.

The validity, enforceability and scope of protection of intellectual property rights in Internet-related industries, particularly in China, are still evolving. We may face allegations that we have infringed the trademarks, copyright, patents and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair trade practices. As we face increasing competition and as litigation becomes a prevalent method for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims. We cannot assure you that disputes over the intellectual property rights of the entertainment content for which we participate in the distribution, promotion and production will not arise in the future. Defending against intellectual property claims is costly and may impose a significant burden on our management and resources and favorable final outcomes may not be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation and brand image. Any resulting liability or expenses, or changes required to our operations to reduce the risk of future liability, may materially and adversely affect our business, financial condition and results of operations.

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We depend on our key executives and certain other employees performing vital functions, and our business and growth prospects may be severely disrupted if we lose their services and are unable to attract new employees to replace these key personnel.

We depend on the continued contributions of our senior management and other key employees. In particular, we rely on the expertise, experience and leadership ability of our core senior management members, particularly Mr. ZHENG Zhihao, our Chief Executive Officer, who has been critical to the strategic direction and overall management of our Company.

If one or more of our key personnel are unable or unwilling to continue in their present positions within our Company, we may not be able to replace them easily or at all, which may cause a significant disruption to our business operations, strategic plan and strategy implementation, and materially and adversely affect our financial condition and results of operations. We may also have to incur additional and potentially significant expenses to recruit and train new personnel. In addition, if any of our executive officers or key employees joins a competitor or forms a competing company, we may lose know-how, trade secrets, business partners and key professionals and staff. Furthermore, since the demand and competition for talent is intense in our industry, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future, which could increase our compensation expenses. We may not be able to recruit sufficient talent to support the growth of our business.

In addition, certain of our business operations rely on certain other employees performing vital functions. For example, we establish cooperative relationships with business partners such as cinemas, event promoters and ticket resellers, as well as cooperation with the third-party platforms we work with to provide access to our services primarily through the efforts of our business development team. We maintain an on-the-ground business development team comprised of around 300 personnel across the PRC. If we cannot efficiently retain, optimize or expand our on-the-ground business development force, we may be unable to maintain or further expand our market share and user base, which in turn may materially and adversely affect our business, financial condition and results of operations.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our technology and know-how and treat them as trade secrets. In order to protect our technology and know-how, we rely significantly on confidentiality provisions in the agreements with our employees and third parties. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, frustrating our ability to assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection may materially and adversely affect our competitive position.

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We rely in significant part upon effective interoperation with mobile operating systems, networks, mobile devices whose standards we do not control.

We make our apps available across a variety of mobile operating systems and devices. We are dependent on the interoperability of our apps with popular mobile devices and mobile operating systems that we do not control, such as Android and iOS. Any changes in such mobile operating systems or devices that decrease the functionality of our apps or give preferential treatment to competing products may materially and adversely affect usage of our services. Further, if the number of platforms for which we develop our apps increases, which is typically seen in the dynamic and fragmented mobile Internet market in China, it will result in an increase in our costs and expenses. In order to deliver high-quality services, it is important that our services work well across a range of mobile operating systems, networks, mobile devices and standards that we do not control. If it becomes difficult for our users to access and use our services, particularly on their mobile devices, our user growth and user engagement could be harmed, which in turn may materially and adversely affect our business, financial position and results of operations.

Our business is sensitive to general economic conditions. A severe or prolonged downturn in China's or the global economy could materially and adversely affect our business and financial condition.

Our business operations are sensitive to global economic conditions. Since we derive, and expect to continue to derive, a significant portion of our revenue from China in the near future, our business and prospects may be affected by economic conditions in China. Economic conditions are subject to events and factors beyond our control. Entertainment-related expenditures are particularly sensitive to business and personal discretionary spending levels, which tend to decline during general economic downturns. A protracted global recession could have a significant negative impact on our business, financial condition and results of operations. People may spend less on entertainment in the event of economic downturn, public health issues or health epidemics, bad weather conditions, natural disasters, political turmoil, social unrest and strikes, which are beyond our control. The availability of alternative forms of entertainment and leisure-time activities also affects the market reception of movies and other entertainment content. The above factors will materially and adversely affect the entertainment industry and our business, financial condition and results of operations. In addition, any renewed financial turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all, which in turn may materially and adversely affect our business and financial condition.

Besides the domestic distribution of PRC movies, we also assist in the marketing of foreign movies in the PRC. We are also seeking opportunities to expand our movie distribution services overseas to various countries and regions. Therefore we may also be affected by China's relationship with various other countries or regions, as well as the economic conditions in those countries or regions. For example, the importation of foreign movies is affected by the overall relationship between China and the exporting country or region, particularly the trade relationship. Any deterioration, suspension, interruption or break-down in such relationship will affect our marketing services with respect to the foreign movies and our overseas business activities, which in turn may materially and adversely affect our business and financial condition.

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We may grant employee share options and other share-based compensation, which may materially and adversely affect our results of operations and the trading price of our Shares in the future.

We adopted a series of employee incentive schemes in July 2018, under which we may issue options and shares from time to time to our Directors, senior management and employees for their contribution and to attract and retain key personnel. The fair value of the services received in exchange for the grant of these share options will be recognized as share-based compensation expenses, which will have a material adverse effect on our profits. Moreover, exercise of the share options we have granted or plan to grant will increase the number of our Shares in circulation. Any actual or perceived sales of additional Shares acquired upon the exercise of the share options we have granted or plan to grant may materially and adversely affect the trading price of our Shares.

Failure to pay the social insurance premium and housing provident funds for and on behalf of our employees in accordance with the Labor Contract Law or comply with other regulations of the PRC may materially and adversely affect our financial condition and results of operations.

According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and pay social insurance premium and housing provident funds for employees. During the Track Record Period, some of our Consolidated Affiliated Entities engaged third-party human resources agencies to pay social insurance premium and housing provident funds for some of their employees. As of the Latest Practicable Date, none of these Consolidated Affiliated Entities had received any administrative penalty or labor arbitration application from employees for its agency arrangement with third-party human resources agencies. Under the agreements entered into between the third-party human resources agencies and our relevant Consolidated Affiliated Entities, the third-party human resources agencies have the obligation to pay social insurance premium and housing provident funds for our relevant employees. However, if the human resource agencies fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required under applicable PRC laws and regulations, we may be subject to penalties imposed by the local social insurance authorities and the local housing provident fund management centers for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer. This in turn may materially and adversely affect our financial condition and results of operations.

We have not purchased any insurance to cover our main assets, properties and business and our limited insurance coverage could expose us to significant costs and business disruption.

Insurance companies in China generally do not offer as extensive an array of insurance products as insurance companies do in countries with more developed economies. In line with general industry practice in China, we have not purchased any insurance to cover our main assets, properties and business. Furthermore, we do not maintain business interruption insurance or key man life insurance. Any disruption in our network infrastructure or business operations, litigation or natural disasters may result in our incurring substantial costs and the diversion of our resources and we have no insurance to cover such losses. As a result, our business, financial condition and results of operations could be materially and adversely affected.

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RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretation change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

We are a company incorporated under the laws of the Cayman Islands, and Maoyan Technology/WFOE, which is our PRC subsidiary, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we operate Relevant Businesses in the PRC through our Consolidated Affiliated Entities, based on the Contractual Arrangements entered into by, among others, the WFOE, our Consolidated Affiliated Entities and the Registered Shareholders. Such Contractual Arrangements enable us to: (i) be the exclusive provider of business support, management and consultation services in exchange for a fee; (ii) receive all of the economic benefits and bear all the risks in relation to the business operation of the Consolidated Affiliated Entities; (iii) have an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the Registered Shareholders all or any part of their equity interests in Tianjin Maoyan Weying at any time and from time to time in our absolute discretion to the extent permitted by PRC laws; (iv) have an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase from Tianjin Maoyan Weying all or any part of its assets at any time and from time to time in our absolute discretion to the extent permitted by PRC laws; (v) appoint us, any directors authorized by us (except the shareholders of Tianjin Maoyan Weying) or his/her successors, or a liquidator replacing the director as our exclusive agent and attorney to act on our behalf on all matters concerning Tianjin Maoyan Weying and to exercise all of the rights as a registered shareholder of Tianjin Maoyan Weying in accordance with PRC laws and the articles of Tianjin Maoyan Weying; and (vi) pledge as first charge all of the equity interests in Tianjin Maoyan Weying to us as collateral security for any and all of the guaranteed debt under the Contractual Arrangements and to secure performance of the obligations under the Contractual Arrangements. The Contractual Arrangements allow the results of operations and assets and liabilities of Tianjin Maoyan Weying and its subsidiaries to be consolidated into our results of operations and assets and liabilities under IFRS as if they were wholly owned subsidiaries of our Group. See “Contractual Arrangements — Our Contractual Arrangements.”

Our PRC Legal Advisor is of the opinion that (i) the ownership structure of the WFOE and our Consolidated Affiliated Entities does not violate prevailing PRC laws and regulations, (ii) except for certain clauses regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration and liquidation arrangement of our Consolidated Affiliated Entities, the Contractual Arrangements, taken individually or collectively, are valid, legally binding and enforceable against each party of such agreements in accordance with their terms, and (iii) the Contractual Arrangements do not fall within any of the circumstances (including, without limitation, “concealing illegal intentions with a lawful form”) under Article 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. If the PRC

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government determines that we are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MOFCOM, the MIIT, the Ministry of Culture and Tourism, the National Film Bureau and the State Administration of Radio and Television, would have broad discretion in dealing with such violations or failures, including, but not limited to:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or the WFOE and our Consolidated Affiliated Entities may not be able to comply;
- requiring us or the WFOE and our Consolidated Affiliated Entities to restructure the relevant ownership structure or operations;
- restricting or prohibiting our use of the proceeds from the initial public offering or other of our financing activities to finance the business and operations of our Consolidated Affiliated Entities and their respective subsidiaries; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of Tianjin Maoyan Weying and its subsidiaries in our consolidated financial statements, if the PRC governmental authorities find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties result in our inability to direct the activities of Tianjin Maoyan Weying and its subsidiaries that most significantly impact their economic performance and/or our failure to receive the economic benefits from Tianjin Maoyan Weying and its subsidiaries, we may not be able to consolidate Tianjin Maoyan Weying and its subsidiaries into our consolidated financial statements in accordance with IFRS.

Our contractual arrangements may not be as effective in providing operational control as direct ownership. Tianjin Maoyan Weying or its shareholders may fail to perform their obligations under our contractual arrangements.

Due to the PRC restrictions or prohibitions on foreign ownership of certain businesses in the PRC, we operate Relevant Businesses in the PRC through our Consolidated Affiliated Entities, in which we have no ownership interest (except for Maoyan Live JV). We rely on Contractual

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Arrangements with Tianjin Maoyan Weying or its shareholders to control and operate their business. These Contractual Arrangements are intended to provide us with effective control over our Consolidated Affiliated Entities and allow us to obtain economic benefits from them. See “Contractual Arrangements.”

We have been advised by our PRC Legal Advisor that, except for certain clauses regarding remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration and liquidation arrangement of our Consolidated Affiliated Entities, the Contractual Arrangements, taken individually or collectively, are valid, legally binding and enforceable against each party of such agreements in accordance with their terms. However, there can be no assurance that the PRC governmental authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC governmental authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. These Contractual Arrangements may not be as effective in providing control over Tianjin Maoyan Weying as direct ownership. If Tianjin Maoyan Weying or its shareholders fail to perform their respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of the Contractual Arrangements are governed by and interpreted in accordance with PRC laws and disputes arising from the Contractual Arrangements will be resolved through arbitration or litigation in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC laws. There remain significant uncertainties regarding the outcome of arbitration or litigation. Such uncertainties could limit our ability to enforce these Contractual Arrangements. In the event we are unable to enforce the Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities and may lose control over the assets owned by our Consolidated Affiliated Entities. As a result, we may be unable to consolidate Consolidated Affiliated Entities in our consolidated financial statements, and our ability to conduct our business may be materially and adversely affected.

We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entities that are material to our business operations if our Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

We do not have priority pledges and liens against the assets of our Consolidated Affiliated Entities. If Tianjin Maoyan Weying were to undergo an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on the assets of our Consolidated Affiliated Entities. If our Consolidated Affiliated Entities liquidate, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and recover any outstanding liabilities owed by Tianjin Maoyan Weying to the WFOE under the applicable service agreement.

Under the Contractual Arrangements, the Registered Shareholders covenanted that they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Tianjin

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Maoyan Weying, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement, without the written consent of the WFOE. In addition, the Registered Shareholders covenanted that they shall not request Tianjin Maoyan Weying to in any manner distribute profit or dividends, raise such relevant shareholders' resolution or vote in favor of any such relevant shareholders' resolution without the prior written consent of the WFOE. In the event that they receive any income, profit distribution or dividend, except as otherwise determined by us, they shall promptly transfer or pay, as part of the services fee under the Exclusive Consultation and Service Agreement, such income, profit distribution or dividend to us or any other person designated by us to the extent permitted under applicable PRC laws. In the event that the Registered Shareholders breach the relevant covenants, we may need to resort to legal proceedings to enforce the terms of the contractual arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding is uncertain.

The shareholders and directors of Tianjin Maoyan Weying may have conflicts of interest with us, which may materially and adversely affect our business.

The shareholders and directors of Tianjin Maoyan Weying may have conflicts of interest with us. We rely on these individuals to abide by the laws of the Cayman Islands which impose fiduciary duties upon directors and officers of our Company. Such duties include the duty to act with good faith in what they consider to be in the best interest of our Company as a whole and not to place themselves in a position in which there is a conflict between their duties to our Company and their personal interests. On the other hand, PRC laws also provide that a director or a senior manager owes a loyalty and fiduciary duty to the company in which he or she holds such position. We cannot assure you that when conflicts arise, shareholders or directors of Tianjin Maoyan Weying will act in the best interest of our Company or that conflicts will be resolved in our favor. These individuals may breach or cause Tianjin Maoyan Weying to breach the existing Contractual Arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders or directors, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

If we exercise the option to acquire equity ownership or assets of Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”) promulgated by the State Council, foreign investors are not allowed to hold more than 50% of the equity interests of any company providing value-added telecommunications services. In addition, the main foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirements**”). Currently none of the applicable PRC laws, regulations or rules provides clear guidance on or interpretation of the Qualification Requirements. Although we have taken measures to meet the Qualification Requirements, we still face the risk of not satisfying them promptly. If the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in the PRC in the future, we may be unable to unwind the Contractual Arrangements before we are able to comply with the Qualification Requirements, or if we attempt to

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unwind the Contractual Arrangements before we are able to comply with the Qualification Requirements we may be ineligible to operate our value-added telecommunication enterprises and may be forced to suspend their operations, which could materially and adversely affect our business, financial condition and results of operations.

Pursuant to the Contractual Arrangements, the WFOE or its designated person(s) has the irrevocable and exclusive right to purchase all or any part of the equity interests in Tianjin Maoyan Weying from its shareholders at any time and from time to time in the WFOE's absolute discretion to the extent permitted by PRC laws. The consideration shall be the lower of a nominal price or the lowest price as permitted under applicable PRC laws.

The equity transfer may be subject to the approvals from, or filings with, the MOFCOM, the MIIT, the SAIC and/or their local competent counterparts. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities. The equity transfer price to be received by Tianjin Maoyan Weying under the Contractual Arrangements may also be subject to enterprise income tax, and such tax amounts could be substantial.

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

The MOFCOM published a discussion draft of the Foreign Investment Law (the “**Draft Foreign Investment Law**”) in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Draft Foreign Investment Law is currently in draft form only. While the MOFCOM solicited comments on the Draft Foreign Investment Law in early 2015, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The Draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects. See “Contractual Arrangements — Development in the PRC Legislation on Foreign Investment.”

Among other things, the Draft Foreign Investment Law expands the definitions of foreign investment and introduces the principle of “actual control” in determining whether a company is considered an FIE. Once an entity is determined to be an FIE, it will be subject to the foreign investment restrictions or prohibitions set forth in a “negative list” to be separately issued by the State Council later, if the FIE is engaged in the industry listed in the negative list, which calls for market entry clearance by the MOFCOM.

Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangement would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors.

Although the Draft Foreign Investment Law was released for consultation purposes, there is substantial uncertainty regarding the Draft Foreign Investment Law, including with respect to its final

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content (especially the provisions dealing with VIE structure), adoption timeline or effective date. However, our PRC Legal Advisor is of the opinion that it is still unclear as at the Latest Practicable Date as to (i) what level of “actual control” is required to qualify as a domestic enterprise; (ii) how domestic enterprises operated by foreign investors under a contractual arrangement are to be regulated; and (iii) what businesses are to be classified as “restricted business” or “prohibited business” in the negative list under the Draft Foreign Investment Law.

If, upon its enactment, the current Draft Foreign Investment Law (i) does not recognize our structure under our Contractual Arrangements as domestic investment; (ii) does not provide any preferential treatment to investors from Hong Kong, Macau and Taiwan; and (iii) requires foreign-invested enterprises to apply for access permission, a government permit that allows foreign investors to invest in “restricted” and/or “prohibited” businesses on the negative list, our Contractual Arrangements may be regarded as invalid and illegal if we have not obtained such access permission. As a result, we may be required to dispose of the Relevant Businesses in China and we would not be able to continue to conduct the Relevant Businesses. For details of the Draft Foreign Investment Law and the negative list and its potential impact on us, and our potential measures to maintain control over and receive economic benefits from our VIEs, see “Contractual Arrangements — Development in the PRC Legislation on Foreign Investment.”

Given that the relevant government authorities have broad discretion in interpreting the foreign investment laws and there are uncertainties as to the three possible approaches proposed in the explanatory notes on the treatment of existing contractual arrangements before the Foreign Investment Law becomes effective as further described in the section headed “Contractual Arrangements — Development in the PRC Legislation on Foreign Investment” in this prospectus, in the worst case scenario, the Contractual Arrangements may be regarded by the relevant government authorities as invalid and illegal, and the Relevant Businesses may be ordered by the relevant government authorities to be discontinued under the existing structure and may not be sustainable. As a result, we will not be able to operate the Relevant Businesses through the Contractual Arrangements and will lose our rights to receive the economic benefits of our WFOE and our Consolidated Affiliated Entities under the Contractual Arrangements, and the financial results of our Consolidated Affiliated Entities will no longer be consolidated into ours, and we will have to derecognize their assets and liabilities according to the relevant accounting standards. In such case, the Stock Exchange may also consider our Company to be no longer suitable for listing on the Stock Exchange.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the proposed draft Foreign Investment Law imposes stringent ad hoc and periodic information-reporting requirements on foreign investors and the applicable foreign-invested entities. Aside from the investment implementation report and investment amendment report that are required at each investment and alteration of investment specifics, there is a mandatory requirement for filing an annual report, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with the information-reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

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Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our profit and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and our Consolidated Affiliated Entities do not represent an arms-length price and adjust our Consolidated Affiliated Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Consolidated Affiliated Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our PRC variable interest entities for underpaid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

In particular, PRC laws and regulations concerning the Internet-related industries and entertainment industry are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations and avoid conducting any non-compliant activities under the applicable laws and regulations, the PRC governmental authorities may promulgate new laws and regulations regulating Internet-related industries and the entertainment industry in the future. We cannot assure you that our practice would not be deemed to violate any new PRC laws or regulations relating to Internet-related industries and the entertainment industry. Moreover, developments in Internet-related industries and the entertainment industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict us, which could materially and adversely affect our business and results of operations.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in

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more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

Adverse changes in PRC economic, political and social conditions as well as government policies could materially and adversely affect our business and prospects.

All of our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China and, since 2012, the Chinese economy has slowed down. Any prolonged slowdown in the Chinese economy may reduce the demand for our services and may materially and adversely affect our business and results of operations.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of domestic companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory authorities in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and

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requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of an affiliated PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the anti-trust governmental authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring other entertainment ticketing service providers or entertainment content service providers. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, production, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore-incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto

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management body.” As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that we or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then we or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary Shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

We face foreign exchange risk and fluctuations in exchange rates could result in foreign currency exchange losses.

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates is subject to changes resulting from the PRC government’s policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People’s Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable cost. Furthermore, we are also currently required to obtain the approval of the State Administration of Foreign Exchange, or SAFE, before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

The PRC government’s control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenue in RMB. Under our current corporate structure, our company in the Cayman Islands relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural

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requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from the SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by the beneficial owners of our company who are PRC residents. However, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows of China in 2016 due to the weakening of RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting processes are put in place by the SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

Inflation in the PRC could materially and adversely affect our profitability and growth.

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-on-year percentage change in the consumer price index in China was 1.6% from 2016 to 2017. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labor may materially and adversely affect our profitability and results of operations.

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

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, the increasing of capital contributions to our PRC subsidiaries is subject to the approval of or filing with the MOFCOM or its local branches and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with the SAFE or its local branches, and (ii) our PRC subsidiaries may not procure loans which exceed a statutory limit. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of this offering and to capitalize our PRC operations may be adversely affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the SAT, which became effective retroactively as of January 1, 2008, where a non-resident enterprise investor transfers equity interests in a PRC resident enterprise indirectly by way of disposing of equity interests in an overseas holding company, the non-resident enterprise investor, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at the rate of up to 10%. In addition, the PRC resident enterprise may be required to provide necessary assistance to support the enforcement of Circular 698.

On February 3, 2015, the SAT issued a Public Notice Regarding Certain Enterprise Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or SAT Circular 7. SAT Circular 7 has introduced a new tax regime that is significantly different from that under Circular 698. SAT Circular 7 extends its tax jurisdiction to not only indirect transfers set forth under Circular 698 but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, SAT Circular 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Circular 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-resident enterprises, or sale or purchase of shares in other non-resident companies or other taxable assets by us. Our company and other non-resident enterprises of ours may be subject to filing or tax obligations if our company and other non-resident enterprises of ours are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises of ours are transferees in such transactions, under Circular 698 and SAT Circular 7. For the transfer of shares in our company by investors that are non-resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Circular 698 and SAT Circular 7. As a result, we may be required to expend valuable resources to comply with Circular 698 and SAT

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Circular 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company and other non-resident enterprises of ours should not be taxed under these circulars. The PRC tax authorities have the discretion under Circular 698 and SAT Circular 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Circular 698 and SAT Circular 7, our income tax costs associated with such transactions will be increased, which may materially and adversely affect our financial condition and results of operations. We may conduct acquisitions in the future. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

Failure to obtain any preferential tax treatments or the discontinuation, reduction or delay of any of the preferential tax treatments that may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.

We have been granted certain governmental subsidies and tax preferences. See “Financial Information — Description of Major Components of our Results of Operations — Other Gains/(Losses), Net.” Nevertheless, the government agencies may decide to reduce, eliminate or cancel such subsidies and tax preferences at any time. We cannot assure you of the continued availability of the government subsidies and tax preferences currently enjoyed by us. The discontinuation, reduction or delay of these governmental subsidies and preferential tax treatment could materially and adversely affect our business, financial condition and results of operations.

We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries’ ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, was promulgated by the SAFE in July 2014 which requires PRC residents or entities to register with the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits and the proceeds from any reduction

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in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have requested PRC residents holding direct or indirect interest in our Company to our knowledge to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. However, we may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents and, therefore, we may not be able to identify all our shareholders or beneficial owners who are PRC residents to ensure their compliance with Circular 37 or other related regulations. In addition, we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by Circular 37 or other related regulations in a timely manner. Failure by any such Shareholders to comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could materially and adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies, or SAFE Circular 7, replacing the previous rules issued by the SAFE in March 2007. Under SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. In addition, SAFE Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with the SAFE or its local branches before they exercise the share options. We and our PRC employees who have been granted share options and restricted shares are subject to these regulations. Failure of our PRC share option holders or restricted shareholders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business.

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The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are an exempted company incorporated in the Cayman Islands and substantially all of our assets are located in China and substantially all of our current operations are conducted in China as well. In addition, a majority of our current directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, because there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Price Determination Banks on behalf of the Underwriters and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

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The liquidity, trading volume and market price of our Shares following the Global Offering may be volatile.

The price at which our Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenue and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment regarding entertainment industry and companies;
- changes in laws and regulations in China;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Shareholders, or the perception or anticipation of such sales, could adversely impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

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While we currently are not aware of any intention of Shareholders to dispose of significant amounts of their Shares, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

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

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

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

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering for purposes including funding our new businesses, research and development to enhance our technological and data analytical capabilities, funding our potential strategic alliances, investments and acquisitions and conducting marketing activities and strengthening our brand image. See “Future Plans and Use of Proceeds.” However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

Waivers have been granted from Compliance with certain requirements of the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Stock Exchange and SFC has granted to us, a number of waivers from strict compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See “Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.” There is no assurance that the Stock Exchange or SFC will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

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There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the sections headed “Business” and “Industry Overview”, contains information and statistics relating to the entertainment market. Such information and statistics have been derived from a third-party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Sole Financial Advisor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this document being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contains, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

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In preparation for the Listing, we have applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the Listing which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules.

See “Connected Transactions.”

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Given that (i) our core business operations are principally located, managed and conducted in the PRC and the Company’s head office is situated in Beijing, the PRC; (ii) our executive Director and senior management team principally reside in the PRC; and (iii) the management and operations of the Company have mainly been under the supervision of our executive Director and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group’s businesses and it is important for them to remain in close proximity to the Group’s operations located in the PRC, the Company considers that it would be more practical for its executive Director and senior management to remain ordinarily resident in the PRC where the Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives:** we have appointed Mr. ZHENG Zhihao (“**Mr. ZHENG**”), the executive Director, and Mr. CHENG Ching Kit, the Joint Company Secretary, (“**Mr. CHENG**”) as the authorized representatives (“**Authorized Representatives**”) for the purpose of Rules 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Mr. CHENG ordinarily resides in Hong Kong whereas Mr. ZHENG ordinarily

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resides in the PRC, and Mr. ZHENG possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See “Directors and Senior Management” for more information about our Authorized Representatives.

2. **Directors:** to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details (such as mobile phone numbers, office phone numbers, e-mail addresses and fax numbers, to the extent possible) of each of our Directors. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange.
3. **Compliance adviser:** we have appointed Guotai Junan Capital Limited as our compliance adviser (the “**Compliance Adviser**”) in compliance with Rules 3A.19 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of the Company with the Stock Exchange during the period from the Listing Date to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, the Company must appoint an individual, who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a Member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

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- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

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

We have appointed Ms. ZHENG Xia (“**Ms. ZHENG**”) as one of the joint company secretaries of the Company. See “Directors and Senior Management” for further biographical details of Ms. ZHENG.

Ms. ZHENG has substantial experience in handling corporate, legal and regulatory compliance and administrative matters but personally does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, the Company has appointed Mr. CHENG, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Ms. ZHENG for an initial period of three years from the Listing Date to enable Ms. ZHENG to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See “Directors and Senior Management” for further biographical details of Ms. ZHENG.

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

- (a) Ms. ZHENG will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Company’s Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time.
- (b) Mr. CHENG will assist Ms. ZHENG to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company.

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- (c) Mr. CHENG will communicate regularly with Ms. ZHENG on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Mr. CHENG will work closely with, and provide assistance for, Ms. ZHENG in the discharge of her duties as a company secretary, including organizing our Company's Board meetings and Shareholders' general meetings.

- (d) Prior to expiry of Ms. ZHENG's initial term of appointment as the company secretary of our Company, we will evaluate her experience in order to determine if she has acquired the qualifications required under Rules 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. ZHENG's appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules.

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

WAIVER AND EXEMPTION IN RELATION TO THE COMPANY'S PRE-IPO SHARE OPTION SCHEME

Rule 17.02(1)(b) of the Listing Rules requires that full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per Share arising from the exercise of such outstanding options be disclosed in this prospectus.

Under paragraph 27 of Appendix 1A to the Listing Rules, we are required to disclose in this prospectus, particulars of any capital of any member of our Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.

As of the Latest Practicable Date, our Company has granted options under the Pre-IPO Share Option Scheme (the "**Options**") to 365 persons (the "**Grantees**") to subscribe for an aggregate of 40,426,195 Shares under the terms and conditions of the Pre-IPO Share Option Scheme. These include three members of senior management of the Company, one director and member of the senior management of our subsidiary who constitutes a connected person of our Company, two Grantees who are entitled to Options to subscribe for 1,000,000 Shares or more (the "**Significant Grantees**") and 359 other Grantees (the "**Other Grantees**") under the Pre-IPO Share Option Scheme. See "Appendix VI — Statutory and General Information — D. Employee Incentive Scheme — Pre-IPO Share Option Scheme."

Our Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules in

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connection with the disclosure of certain details relating to the Pre-IPO Share Option Scheme and the Grantees on the ground that full compliance with such disclosure requirements would be unduly burdensome for our Company and the waiver would not prejudice the interest of the investing public for the following reasons:

- (a) given that 365 Grantees are involved, our Directors consider that it would be unduly burdensome to disclose full details of all the Options granted by us in the prospectus, which would involve a substantial number of pages of content to be inserted into the prospectus, significantly increasing the cost and timing for information compilation, prospectus preparation and printing;
- (b) the disclosure of key information of the Pre-IPO Share Option Scheme and the Options granted to each of our Directors, our members of the senior management, connected persons of our Company, the Significant Grantees and the Other Grantees in Appendix VI to the prospectus provides potential investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the Options in their investment decision making process; and
- (c) the lack of full compliance of the disclosure requirements set out above will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group.

The Directors believe that a waiver from the applicable disclosure requirements under the Listing Rules will not hinder potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the public investors.

The Stock Exchange has granted the waiver to us subject to the conditions that:

- (a) the grant of a certificate of exemption from strict compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements by the SFC;
- (b) disclosure in this prospectus of a summary of the Pre-IPO Share Option Scheme;
- (c) disclosure in this prospectus of the aggregate number of Shares subject to the outstanding Options and the percentage of our Company's issued share capital of which such number represents;
- (d) disclosure in this prospectus of the dilution effect upon full exercise of the Options;
- (e) disclosure in this prospectus of the impact on earnings per Share upon full exercise of the Options;

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- (f) on an individual basis, full details of all the Options granted to each of our Directors, our members of the senior management, connected persons of our Company and the Significant Grantees, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be disclosed in this prospectus;
- (g) in respect of the Options granted to the Grantees other than those referred to in sub-paragraph (f) above, the following details be fully disclosed in this prospectus: (i) the aggregate number of the Other Grantees; (ii) the aggregate number of Shares underlying the Options of the Other Grantees; (iii) the consideration paid for the Options; (iv) the exercise period of the Options; and (v) the exercise price of the Options;
- (h) a full list of all the Grantees (including the Other Grantees) who have been granted Options, containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with “Appendix VII — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection” in this prospectus; and
- (i) the particulars of the waiver and the exemption be set out in this prospectus.

Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, we are required to disclose in this prospectus details of the number, description and amount of Shares which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, and the names and addresses of the persons to whom it or the right to it was given.

Our Company has applied to the SFC for an exemption from compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the Pre-IPO Share Option

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Scheme and the Grantees on the ground that full compliance with such disclosure requirements would be unduly burdensome for our Company and the exemption would not prejudice the interest of the investing public for the following reasons:

- (a) given that 365 Grantees are involved, our Directors consider that it would be unduly burdensome to disclose full details of all the Options granted by us in the prospectus, which would involve a substantial number of pages of content to be inserted into the prospectus, significantly increasing the cost and timing for information compilation, prospectus preparation and printing;
- (b) the disclosure of key information of the Pre-IPO Share Option Scheme and the Options to each of our Directors, our members of the senior management, connected persons of our Company, the Significant Grantees, and the Other Grantees in Appendix VI to the prospectus provides potential investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the Options in their investment decision making process; and
- (c) the lack of full compliance of the disclosure requirements set out above will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group.

The Directors believe that an exemption from the applicable disclosure requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance will not hinder potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the public investors.

The SFC has granted a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance subject to the conditions that:

- (a) on an individual basis, full details of all the Options granted to each of our Directors, our members of senior management, connected persons of our Company and the Significant Grantees, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be disclosed in this prospectus;
- (b) in respect of the Options granted to the Grantees other than those referred to in sub-paragraph (a) above, the following details be fully disclosed in this prospectus: (i) the

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aggregate number of the Other Grantees; (ii) the aggregate number of Shares underlying the Options of the Other Grantees; (iii) the consideration paid for the Options; (iv) the exercise period of the Options; and (v) the exercise price of the Options;

- (c) a full list of all the Grantees (including the Other Grantees) who have been granted Options, containing all details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with “Appendix VII — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection” in the prospectus;
- (d) the particulars of the exemption be set out in the prospectus; and
- (e) this prospectus is issued on or before January 23, 2019.

Further details of the Pre-IPO Share Option Scheme are set out in “Appendix VI — Statutory and General Information — D. Employee Incentive Scheme — Pre-IPO Share Option Scheme.”

WAIVER IN RELATION TO THE POST TRACK RECORD PERIOD ACQUISITIONS

Pursuant to Rules 4.04(2) and 4.04(4) of the Listing Rules, the issuer shall include in its accountant’s report the results and balance sheet of any subsidiaries and/or businesses acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to guidance letter HKEx-GL32-12 issued by the Stock Exchange (“**GL32-12**”), the Stock Exchange may consider granting waiver of the requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances, the Stock Exchange will ordinarily grant a waiver in relation to acquisitions of a business or subsidiary subject to the following conditions: (i) the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of the acquired or to be acquired business or subsidiary are all less than 5% by reference to the most recent financial year of the applicant’s trading record period; (ii) the historical financial information of the acquired or to be acquired business or subsidiary is not available or would be unduly burdensome to obtain or prepare; and; (iii) the listing document should include at least the information that would be required for a disclosable transaction under Chapter 14 of the Listing Rules on each acquisition.

After the Track Record Period and up to the Latest Practicable Date, the Group proposed to make the following acquisitions:

- (a) We are currently negotiating with a target company (the “**Target Company A**”), which is an Independent Third Party, for potential acquisition of certain businesses and assets owned by Target Company A (the “**Proposed Target Company A Acquisition**”).

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- (b) We are currently negotiating with a target company (the “**Target Company B**”), which is an Independent Third Party, for potential acquisition of certain equity interests in Target Company B (the “**Proposed Target Company B Acquisition**”).
- (c) We are currently negotiating with a target company (the “**Target Company C**”), which is an Independent Third Party, for potential acquisition of certain equity interests in Target Company C (the “**Proposed Target Company C Acquisition**”).
- (d) We are currently negotiating with a target company (the “**Target Company D**”, and together with Target Company A, Target Company B and Target Company C, the “**Target Companies**”), which is an Independent Third Party, for potential acquisition of certain equity interests in Target Company D (the “**Proposed Target Company D Acquisition**”).

(The Proposed Target Company A Acquisition, the Proposed Target Company B Acquisition, the Proposed Target Company C Acquisition and the Proposed Target Company D Acquisition are collectively referred to as the “**Post-TRP Acquisitions**”).)

For details, see “History and Reorganization — Post Track Record Period Acquisitions.”

Based on the following reasons, our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules:

- (a) **Immateriality of the Post-TRP Acquisitions:** The scale of the businesses operated by the Target Companies as compared to that of the Group is not material. Each of the assets ratio, revenue ratio and profits ratio in relation to the Post-TRP Acquisitions is, individually or in aggregate, below 5%. In addition, notwithstanding that the Post-TRP Acquisitions represent suitable strategic acquisition targets of the Group, the Company is of the view that Post-TRP Acquisitions, as and if completed, would not significantly affect the financial position of the Group as a whole. Furthermore, it is expected that none of the Target Companies will be an significant subsidiary of the Company (as defined under Chapter 14A of the Listing Rules), even if the relevant acquisitions are completed or materialised.
- (b) **Undue burden to obtain and prepare historical financial information of the target companies to be acquired:** The Post-TRP Acquisitions have not been completed as at the Latest Practicable Date, and remain subject to negotiation between parties and certain conditions, including but not limited to satisfactory due diligence results, entry into a definitive subscription agreement, internal and external approval and/or filing procedure. As such, the Company does not have full access to the relevant financial records for purposes of audit by its reporting accountant and disclosure in this prospectus. Accordingly, having considered the immateriality of the target companies under the Post-TRP Acquisitions as well as the time and resources required to obtain, compile and audit such historical information in conformity with the Company’s accounting policies, it would be unduly burdensome for the Company to prepare and include the financial information of the target companies under the Post-TRP Acquisitions in this prospectus.

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- (c) **Alternative disclosure:** With a view of allowing the potential investors to understand the Post-TRP Acquisitions in greater details, we have disclosed in this prospectus the following information in relation to the Post-TRP Acquisitions, which is comparable to the information that is required to be included in the announcement of a discloseable transaction under Chapter 14 of the Listing Rules, including: (a) general description of the scope of principal business activities of the target companies and the sellers; (b) the consideration of the transactions; (c) the basis on which the consideration is determined; (d) how the consideration will be satisfied; (e) reasons for and benefits of the transactions; and (f) other material terms of the sale and purchase agreement in relation to the transactions (if any). See “History and Reorganization — Post Track Record Acquisitions.” For the avoidance of doubt, the identities of the Target Companies are not disclosed in this prospectus because (i) the Target Companies did not consent to such disclosure in the prospectus; and (ii) given the competitive nature of their business and that the Company has not entered into any legally binding agreements with respect to the Post-TRP Acquisitions as of the Latest Practicable Date, disclosure of the names of the Target Companies in the prospectus is commercially sensitive and may jeopardise the Company’s ability to consummate the Post-TRP Acquisitions (including, for example, as a result of the Company’s competitors approaching the Target Companies with alternative investment proposals after seeing their names disclosed in this prospectus).

WAIVER IN RESPECT OF PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules require that there shall be an open market in the securities for which listing is sought and a sufficient public float of an issuer’s listed securities shall be maintained. This normally means that at least 25% of the issuer’s total issued share capital must at all times be held by public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK\$10 billion.

Based on the minimum Offer Price of HK\$14.80 per Share and assuming no exercise of the Over-allotment Option, we expect that our market capitalization will be over HK\$10 billion at the time of Listing. Accordingly, we have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules, pursuant to which the public float of the Company may fall below 25% of the issued share capital of the Company, to allow a minimum public float of the Company to be the highest of: (i) 24.25% of the Company’s total issued share capital; (ii) such percentage of Shares held by the public after completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (iii) such percentage of Shares held by the public after the full or partial exercise of the Over-allotment Option, subject to a maximum percentage of 25% pursuant to Rule 8.08(1)(a) of the Listing Rules.

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In order to support the application of this waiver, we have confirmed to the Stock Exchange that:

- (i) we will have an expected market capitalization at the time of Listing of over HK\$10 billion;
- (ii) the quantity and scale of Shares would enable the market to operate properly with a lower percentage of public float;
- (iii) we will make appropriate disclosure of the lower percentage of public float required by the Stock Exchange in this prospectus; and
- (iv) we will confirm sufficiency of public float in the successive annual reports of the Company after the Listing.

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Pursuant to Rule 4.04(1) of the Listing Rules, the accountant's report contained in this prospectus must include, inter alia, the results of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

Pursuant to section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus shall include an accountant's report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

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

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

Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and

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Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The accountant's report for each of the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018 has been prepared and is set out in Appendix I to this prospectus.

Pursuant to the relevant requirements set forth above, our Company is required to produce three full years of audited accounts for the years ended December 31, 2016, 2017 and 2018. However, an application was made to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver was granted by the Hong Kong Stock Exchange on the conditions that:

- (a) this prospectus will be issued on or before January 23, 2019 and our Company be listed on the Stock Exchange on or before March 31, 2019 (i.e. within three months after the end of the Company's latest financial year immediately preceding the issue of this prospectus);
- (b) this prospectus contains the loss estimate for the year ended December 31, 2018 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) and the statement from the Directors that after performing all due diligence work which they consider appropriate, there is no material and adverse change to the financial and trading positions or prospects of our Company, with specific reference to the trading results from October 1, 2018 to December 31, 2018; and
- (c) our Company obtains a certificate of exemption from the SFC on strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption be set forth in this prospectus; (ii) this prospectus be issued on or before January 23, 2019; and (iii) our Company be listed on the Stock Exchange on or before March 31, 2019.

The applications to Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the

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Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interests of the investing public as:

- (a) there would not be sufficient time for our Company and the reporting accountant of our Company (the “**Reporting Accountant**”) to finalize the audited financial statements for the year ended December 31, 2018 for inclusion in this prospectus. If the financial information for the year ended December 31, 2018 is required to be audited, our Company and the Reporting Accountant would have to carry out substantial volume of work to prepare, update and finalize the Accountant’s Report and the Prospectus, and the relevant sections of the Prospectus will need to be updated to cover such additional period;
- (b) our Directors and the Joint Sponsors herein confirm that after performing all due diligence work which they consider appropriate, up to the Latest Practicable Date, there has been no material adverse change to the financial and trading positions or prospects of our Company since October 1, 2018 (immediately following the date of the latest audited statement of financial position in the accountant’s report set out in Appendix I to this prospectus) to December 31, 2018 and there has been no event which would materially affect the information shown in the accountant’s report as set out in Appendix I to this prospectus since October 1, 2018;
- (c) our Company is of the view that the accountant’s report covering the three years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, together with the loss estimate for the year ended December 31, 2018 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) included in this prospectus have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and our Directors and the Joint Sponsors confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, trading position, management and prospects included in this prospectus. Further, our Company will comply with Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of annual results and annual report for the year ended December 31, 2018. Therefore, the waiver and exemption would not prejudice the interests of the investing public; and
- (d) we will comply with the requirements under Rule 13.46 of the Listing Rules in respect of the publication of our annual report. Our Company currently expects to issue our annual report for the financial year ended December 31, 2018 on or before April 30, 2019. In this regard, our Directors consider that the shareholders of our Company, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended December 31, 2018.

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DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public about us. The Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, 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 that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises the International Offering of initially 119,139,200 Offer Shares and the Hong Kong Public Offering of initially 13,237,800 Offer Shares, each subject to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus and without taking into account the Over-allotment Option. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Price Determination Banks (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

The Offer Price is expected to be fixed among the Price Determination Banks (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, January 28, 2019 and, in any event, not later than Thursday, January 31, 2019 (unless otherwise determined between the Price Determination Banks (for themselves and on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Price Determination Banks (for themselves and on behalf of the Underwriters) and our Company on or before Thursday, January 31, 2019, the Global Offering will not become unconditional and will lapse immediately.

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

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Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”, and the procedures for applying for our Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and in the related Application Forms.

Further information about the Underwriters and the underwriting arrangements is set out in the section headed “Underwriting” in this prospectus

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus 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 authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in, (i) our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the Shares which may be issued pursuant to the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme; and (iii) the Shares to be issued pursuant to the conversion of 2018 CB upon completion of the Global Offering.

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All the Offer Shares will be registered on the branch register of our Company in Hong Kong in order to enable them to be traded on the Stock Exchange.

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

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OVER-ALLOTMENT OPTION AND STABILIZATION

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

PROCEDURE FOR APPLICATION OF HONG KONG OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on February 4, 2019. Shares will be traded in board lots of 200 Shares each.

SHARE REGISTER AND HONG KONG STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Walkers Corporate Limited, in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. The current and valorem rate of Hong Kong stamp duty of 0.1% on the

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

higher of the consideration for or the market value of the Shares and it is charged to the purchaser on every purchase and to the seller on every sale of the Shares. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of us, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Sole Financial Advisor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, officers, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

EXCHANGE RATE

Solely for convenience purposes, this document includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.8760 to HK\$1.00, the exchange rate prevailing on January 4, 2019 published by the PBOC for foreign exchange transactions, (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.8339 to US\$1.00, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on January 4, 2019, and (iii) the translation between U.S. dollars and Renminbi were made at the rate of RMB6.8663 to US\$1.00, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on January 4, 2019.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

For further information on our Directors, please refer to the section headed “Directors and Senior Management” of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Director		
Mr. ZHENG Zhihao (鄭志昊)	Room 601, No. 2 Lane 150 Nandan Road Xuhui District Shanghai PRC	American
Non-Executive Directors		
Mr. WANG Changtian (王長田)	No. 862, Building 1 No. 19 Min Wang Yuan Dongcheng District Beijing PRC	Chinese
Ms. LI Xiaoping (李曉萍)	No. 88 Xiangshan South Road Haidian District Beijing PRC	Chinese
Ms. WANG Jian (王犖)	Room 1501, 15/F, No. 7 Building No. 29 Xiaoying North Road Chaoyang District Beijing PRC	Chinese
Mr. ZHAN Weibiao (湛煒標)	Room 3201 Building 11, Phase 3, Wanke Jinse Jiayuan No. 2018 Lianhua Road Futian District Shenzhen, Guangdong PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Mr. CHEN Shaohui (陳少暉)	No. 1708 Building 1, Courtyard 3 Guangqumenwai Street Chaoyang District Beijing PRC	Chinese
Mr. LIN Ning (林寧)	Unit 401 Building 1 Dawangli No. 59 Gulou District Fuzhou, Fujian PRC	Chinese
Independent non-executive Directors		
Mr. WANG Hua (汪華)	Room 301, No.6 Lane 200 Yueyang Road Xuhui District Shanghai PRC	Chinese
Mr. CHAN Charles Sheung Wai (陳尚偉)	Flat B 10/F Kam Kin Mansion 123 Caine Road Central Hong Kong	Chinese
Mr. MA Dong (馬東)	No. 303, Building 8 No. 2 North Binhe Road Xicheng District Beijing PRC	Chinese
Mr. LUO Zhenyu (羅振宇)	Room 502, Door 4, Building 20 Meiliyuan Haidian District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

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Sole Financial Advisor

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Joint Global Coordinators

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China International Capital Corporation Hong Kong Securities Limited

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AMTD Global Markets Limited

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Morgan Stanley Asia Limited

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**Joint Bookrunners and Joint Lead
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BOCI Asia Limited

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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

Futu Securities International (Hong Kong) Limited

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18 Bonham Strand West

Sheung Wan

Hong Kong

Auditor and Reporting Accountant

PricewaterhouseCoopers

Certified Public Accountants

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Legal Advisors to the Company

As to Hong Kong and U.S. laws:

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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Legal Advisors to the Joint Sponsors
and the Underwriters**

As to Hong Kong and U.S. laws:

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Shanghai 200031
PRC

Industry Consultant

Shanghai iResearch Co., Ltd

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Shanghai, 200030

Receiving Banks

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CORPORATE INFORMATION

Registered Office	Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands
Head Office and Principal Place of Business in China	No. 3 Building, Yonghe Hangxing Garden No. 11 Hepingli East Street Dongcheng District Beijing PRC
Principal Place of Business in Hong Kong	40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	www.maoyan.com <i>(The information on the website does not form part of this prospectus)</i>
Joint Company Secretaries	ZHENG Xia 1114, 11-12 th Floor Building 8, Jingtiejiayuan 2 Fengtai District Beijing PRC CHENG Ching Kit (ACIS, ACS) 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Authorised Representatives	ZHENG Zhihao Room 601, No. 2 Lane 150 Nandan Road Xuhui District Shanghai PRC CHENG Ching Kit 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Audit Committee	CHAN Charles Sheung Wai (Chairman) WANG Hua MA Dong
Nomination Committee	WANG Hua (Chairman) CHAN Charles Sheung Wai ZHENG Zhihao
Remuneration Committee	WANG Hua (Chairman) MA Dong ZHENG Zhihao
Compliance Adviser	Guotai Junan Capital Limited 27/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands
Principal Bankers	Standard Chartered Bank, Tianjin Branch 36/F, Building 1 Jinhui Plaza No.189 Nanjing Road Heping District Tianjin PRC PingAn Bank, Garden Road Sub-Branch 901, Taixing Plaza No.11 Garden East Road Haidian District Beijing PRC

INDUSTRY OVERVIEW

This section contains certain information, statistics and data which are derived from official government publications and industry sources as well as a commissioned report from iResearch, an Independent Third Party (the “iResearch Report”). The information from official government publications and the iResearch Report may not be consistent with information available from other sources within or outside the PRC and Hong Kong. We believe that the sources of the information in this section 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 part has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Sole Financial Advisor, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We commissioned iResearch, an independent market intelligence provider that provides market research, information and advice to companies in various industries, to conduct a detailed analysis of the PRC entertainment market and other related economic data. We have agreed to pay a total of RMB700,000 in fees for the preparation of the iResearch Report, which is dated as of January 1, 2019. Figures and statistics provided in this prospectus and attributed to iResearch or the iResearch Report have been extracted from the iResearch Report and published with the consent of iResearch.

During the preparation of the market research report, iResearch performed both primary research, which involves discussions of industry status with leading industry participants and industry experts, and secondary research, which involves information and statistics published by government departments including China Internet Network Information Center (中國互聯網信息中心) and National Bureau of Statistics of China (中國國家統計局), industry associations including China Film Distribution and Exhibition Association (中國電影發行放映協會), review of company reports, independent research reports and data from iResearch’s own research database. iResearch’s market research report was compiled based on the following assumptions: (i) China’s economy is likely to maintain steady growth in the next decade; (ii) China’s social, economic and political environment is likely to remain stable in the forecast period; (iii) related key industry drivers remain relevant and applicable during the forecast period; and (iv) there will be no subversive changes to the related industries. The reliability of the iResearch Report may be affected by the accuracy of the foregoing assumptions and factors. Total market size projection was obtained from historical data analysis plotted against macroeconomic data as well as related industry drivers by iResearch.

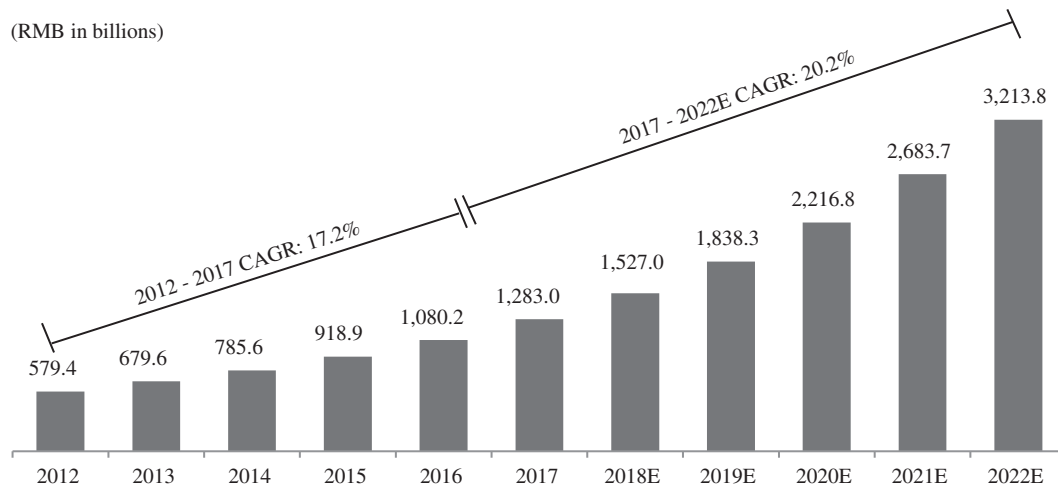
THE ENTERTAINMENT MARKET IN CHINA — A LARGE AND EXPANDING MARKET OPPORTUNITY

Entertainment is an important part of everyone’s daily life. Consumers nowadays have access to a vast range of entertainment options, both online and offline, such as movies, TV series, web series, web movies, variety shows, entertainment events and other leisure activities.

INDUSTRY OVERVIEW

With a market size of RMB1,283.0 billion in 2017, China's entertainment market has become the second largest in the world, after that of the United States. It is expected that China's entertainment industry will further grow to RMB3,213.8 billion in 2022, representing a CAGR of 20.2% from 2017, outpacing the growth of the global industry, according to the iResearch Report.

Size of China's Entertainment Market⁽¹⁾



Source: iResearch Report

Note:

- (1) Includes movies, TV series, web series, web movies, variety shows, online videos, live video broadcasts, short videos, entertainment events, IP-derivatives, music, online literature, comics and other leisure activities

The robust growth in China's entertainment market is attributable to the following drivers:

- **Development of technology and mobile Internet**

The development of mobile Internet is transforming the way individuals access and enjoy entertainment. China had the largest mobile Internet user base of 752.7 million in the world as of December 2017, and it is expected to grow to 973.4 million by the end of 2022, according to the iResearch Report. With its global leading mobile payment infrastructure, China's mobile payment penetration of mobile Internet users in China was 70% in 2017, comparing to approximately 20% in the United States, according to the iResearch Report.

The high penetration rate of mobile Internet and the development of mobile payment infrastructure in China have made the entertainment experience easier than ever. For example, online entertainment services platforms provide users with greater convenience, flexibility and certainty, allowing consumers to look up entertainment options and information and complete transactions at their fingertips via mobile devices anytime, anywhere. This has encouraged demand from consumers in China for entertainment consumption. In addition, entertainment-related information, such as news and reviews, has become more accessible to the

INDUSTRY OVERVIEW

population through mobile Internet, making the entertainment experience more informed and interactive. Furthermore, big data analysis has also empowered industry players to better understand the taste and preference of the potential audience, making the production and delivery of entertainment content more efficient and effective.

- **Consumption upgrade and growing spending power**

China has witnessed rapidly rising consumer spending power and per capita disposable income. According to the iResearch Report, China's total urban population increased from 711.8 million in 2012 to 813.5 million in 2017 and is expected to further increase to 918.8 million in 2022. In 2017, the entertainment market only accounted for 4.2% of China's total GDP, compared to 6.7% of that of the United States. As the nation's spending power increases and rapid urbanization continues, it is expected that entertainment consumption will continue to increase, driving the growth of the overall entertainment market.

- **More diversified and personalized entertainment formats**

Chinese consumers are seeking more diversified formats of entertainment. In recent years, more entertainment options have become available to more people, catering to their diverse taste and preference. In addition, technology and big data analysis enable industry players to have a better understanding of their consumers and to provide more personalized and enjoyable entertainment experiences.

- **Better quality of entertainment content**

The quality of entertainment content is improving, meeting the higher expectation and demand of consumers and thus fueling the overall development of China's entertainment market. For example, according to the Chinese Movie Audience Satisfaction Survey published by China Film Archive in 2017, the movie audience in China has shown higher level of satisfaction and recognition of the enhanced quality of domestic movies over the past three years. The improvement in domestic content has further stimulated the demand for entertainment.

With burgeoning demand for entertainment and increasing supply of higher quality content, China's entertainment market is undergoing rapid growth. Movie, widely considered a more sophisticated format of entertainment, is entering its "golden era."

INDUSTRY OVERVIEW

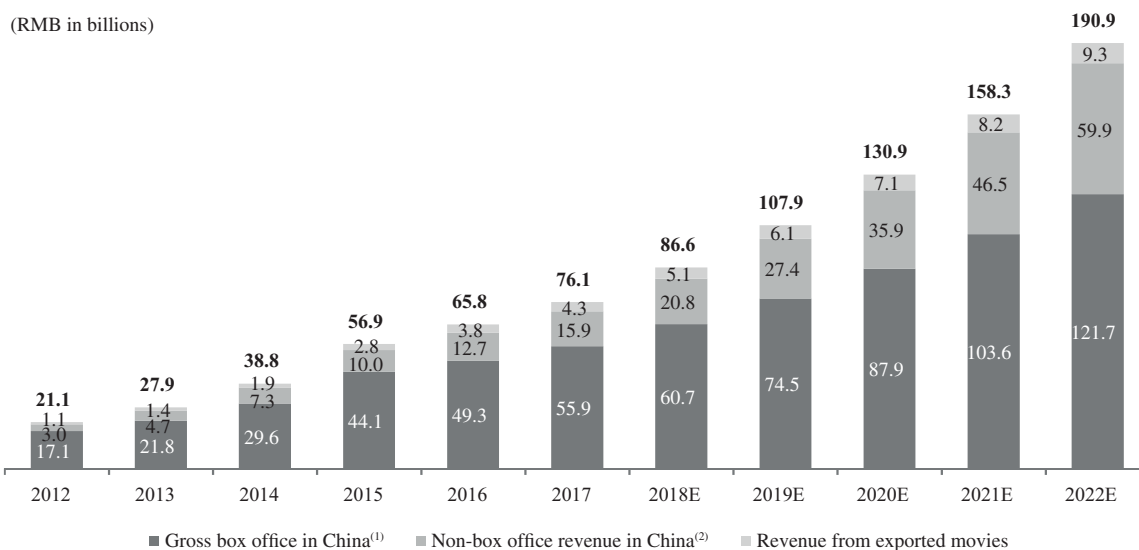
China's Movie Industry

China's movie market is the second largest in the world, after that of the United States. It increased at a CAGR of 29.2% from 2012 to 2017 and reached a market size of RMB76.1 billion, and is expected to further grow at a CAGR of 20.2% to reach a market size of RMB190.9 billion by 2022, according to the iResearch Report. China's movie market includes gross box office in China, non-box office revenue in China and revenue from exported movies.

The 2018 Chinese New Year holiday week (from February 15, 2018 to February 21, 2018) marked a milestone for China's movie industry. The gross box office for this seven-day period reached RMB5.8 billion, representing a 68.3% growth from that of the 2017 Chinese New Year holiday week. Driven by the strong performance during the 2018 Chinese New Year holiday week, China's gross box office surpassed that of the United States for the first time in the first quarter of 2018, making China the world's biggest box office contributor during that period. In the nine months ended September 30, 2018, China's gross box office reached RMB48.9 billion.

According to the iResearch Report, the rapid growth trajectory for China's movie market is expected to continue as the gross box office is expected to grow at a CAGR of 16.8% between 2017 and 2022. This will see China surpass the United States as the largest movie market in terms of box office by 2020.

Size of China's Movie Market



Source: iResearch Report, with data and information from China Film Distribution and Exhibition Association (中國電影發行放映協會)

Notes:

- (1) Gross box office represents the gross proceeds from movie ticket sales received by cinemas after deducting the refunds and taking into account the service fees paid for online ticketing services. No service fees data were available for the years of 2012 to 2015. See “— Online Entertainment Ticketing — Online Movie Ticketing.”

INDUSTRY OVERVIEW

- (2) Non-box office revenue in China mainly includes revenue from the sales of movie merchandise products and in-cinema food and beverages, movie-related advertising revenue and revenue from movie broadcasting rights

In addition to favorable secular growth drivers in the overall entertainment market, the movie market in China is expected to benefit from its own growth drivers as follows:

- **Greater number of high quality domestic movies**

The availability of a greater number of high-quality domestic movies has also propelled the growth of China's movie industry. The number of domestic movies released increased from 229 in 2012 to 386 in 2017, as movie genres become more diversified and with higher quality. The percentage of gross box office contributed by domestic movies has increased from 48.5% in 2012 to 53.8% in 2017. In particular, among the five highest grossing movies in China in 2017 and the nine months ended September 30, 2018, 80.9% and 84.2% of the gross box office were generated through domestic movies, respectively, compared with 58.5% in 2015. The gross box office for the five highest grossing movies has also increased from RMB9.4 billion in 2015 to RMB14.0 billion in 2017 and RMB15.1 billion in the nine months ended September 30, 2018.

- **Development of entertainment infrastructure**

China is witnessing a rapid development of its movie infrastructure. For example, the number of screens has increased from approximately 13,000 as of December 31, 2012 to approximately 51,000 as of December 31, 2017, with the number of screens per 100,000 capita increasing from 1.0 to 3.7. In particular, the number of movie screens in lower-tier cities quadrupled from approximately 6,400 to over 30,000 during the same period, according to the iResearch Report.

Although China already has the highest number of movie screens in the world, the nation's number of screens and movie admission per capita are still at a much lower level compared with those of the United States. This, together with the increasing spending power evidenced by the rise of per capita disposable income and the growing demand for entertainment consumption, indicates room for the future growth of China's movie market.

	Box Office (RMB Bn)	Per Capita Movie Admission (times)	Number of Screens	Number of Screens per 100,000 People
	2017		As of December 31, 2017	
United States	66.8	3.5	40,109	12.3
China	52.7	1.2	50,776	3.7

- **Diversifying revenue sources**

China's movie market currently still relies more on ticket sales with gross box office in China accounting for 73.5% of the total market size in 2017. As China's movie market continues to develop, more revenue streams have become available, such as sales of movie merchandise

INDUSTRY OVERVIEW

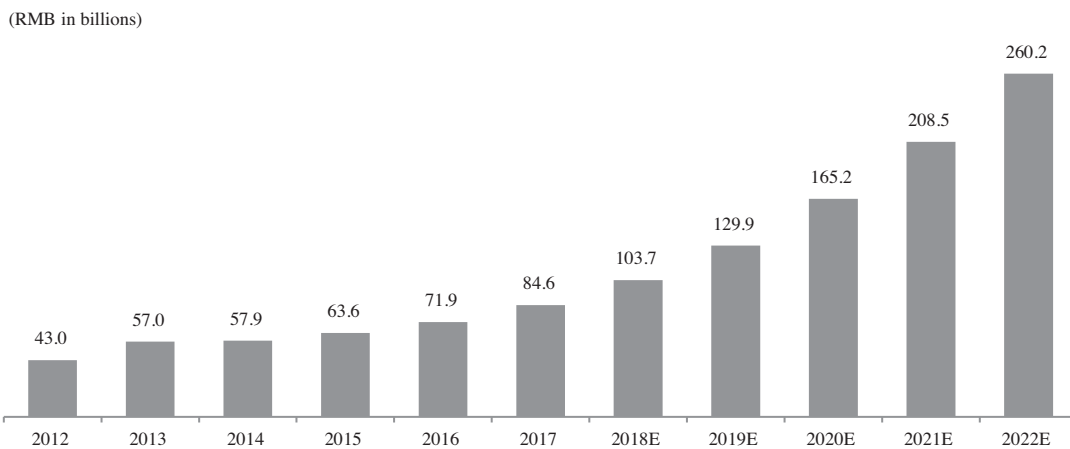
products and in-cinema food and beverages, movie-related advertising revenue and revenue from movie broadcasting rights. Such non-box office revenue in China is taking up a larger portion of the overall market size and is experiencing a faster growth. According to the iResearch Report, non-box office revenue in China increased from RMB3.0 billion in 2012 to RMB15.9 billion in 2017 and is expected to grow at a CAGR of 30.3% to RMB59.9 billion in 2022, contributing to 31.4% of China's movie market.

Other Entertainment Formats

In addition to movies, other entertainment formats, such as entertainment events, as well as TV series, web series, web movies and variety shows, are also expected to grow rapidly.

According to the iResearch Report, China's entertainment events market, including concerts, live performances, exhibitions and sports events, has grown from RMB43.0 billion in 2012 to RMB84.6 billion in 2017 and is expected to grow at a CAGR of 25.2% to RMB260.2 billion in 2022. The consumption upgrade and increasing spending power of Chinese consumers, together with the emergence of more diversified genres, are expected to generate greater demand for entertainment events.

Size of China's Entertainment Events Market

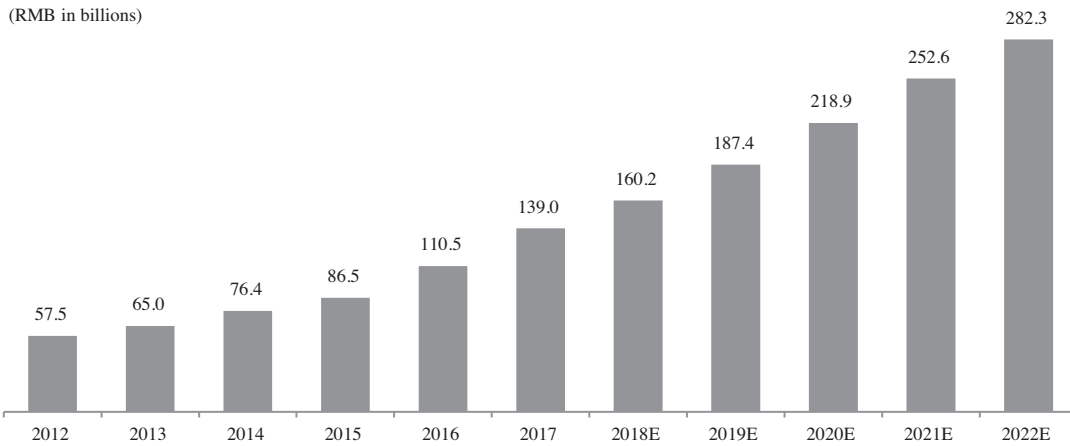


Source: iResearch Report

The market for TV series, web series, web movies and variety shows in China has grown from RMB57.5 billion in 2012 to RMB139.0 billion in 2017 and is expected to reach RMB282.3 billion in 2022, in terms of the total revenue of all participants in this market, according to the iResearch Report. The market growth is driven by factors including more diversified genres, the emergence of online content distribution platforms, increasing awareness of copyright protection and consumers' increasing willingness to pay for quality content.

INDUSTRY OVERVIEW

Size of China's TV Series, Web Series, Web Movies and Variety Shows Market



Source: iResearch Report

ONLINE ENTERTAINMENT TICKETING

The adoption of mobile Internet in people's everyday lives has driven the shift of ticket purchasing activity from offline to online, fostering the growth of online entertainment ticketing services. People in the PRC are spending an increasing amount of time on their mobile devices to access various Internet services. In 2017, people in the PRC spent average 2.3 hours daily on the Internet through their mobile devices, representing a CAGR of 34.1% over the five preceding years, further driving the growth of online entertainment ticketing services. With their established user base, companies providing such services are also well-positioned to enter adjacent markets, such as ticketing services for other leisure activities.

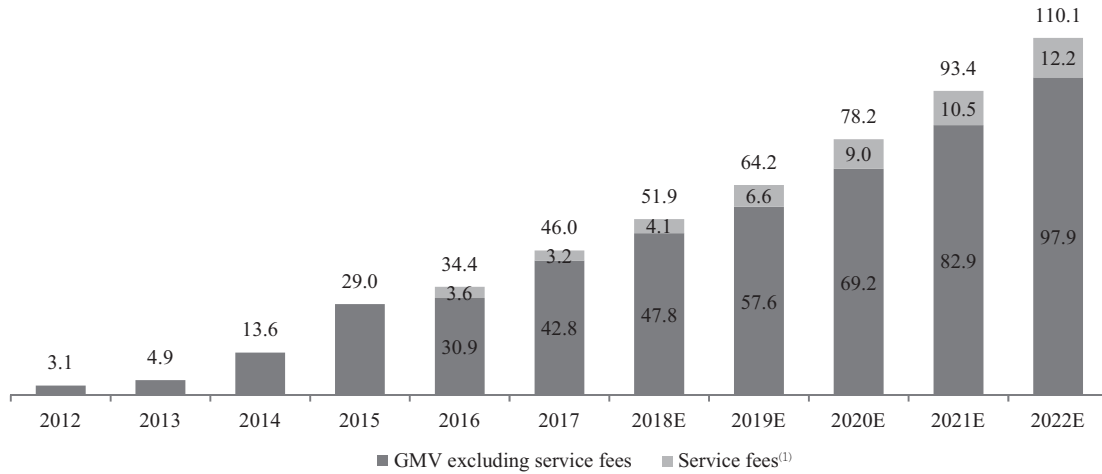
Online Movie Ticketing

With the growth of China's movie industry and the online penetration rate of movie ticketing increasing from 18.4% in 2012 to 85.5% in the nine months ended September 30, 2018, China's online movie ticketing market increased from RMB3.1 billion in 2012 to RMB46.0 billion in 2017 by GMV and is expected to further increase to RMB110.1 billion in 2022, according to the iResearch Report.

INDUSTRY OVERVIEW

China's Online Movie Ticketing Market GMV

(RMB in billions)



Source: iResearch Report, with data and information from State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China (國家新聞出版廣電總局) and Office of National Film Development Funds Management Committee (國家電影事業發展資金管理委員會辦公室)

Note:

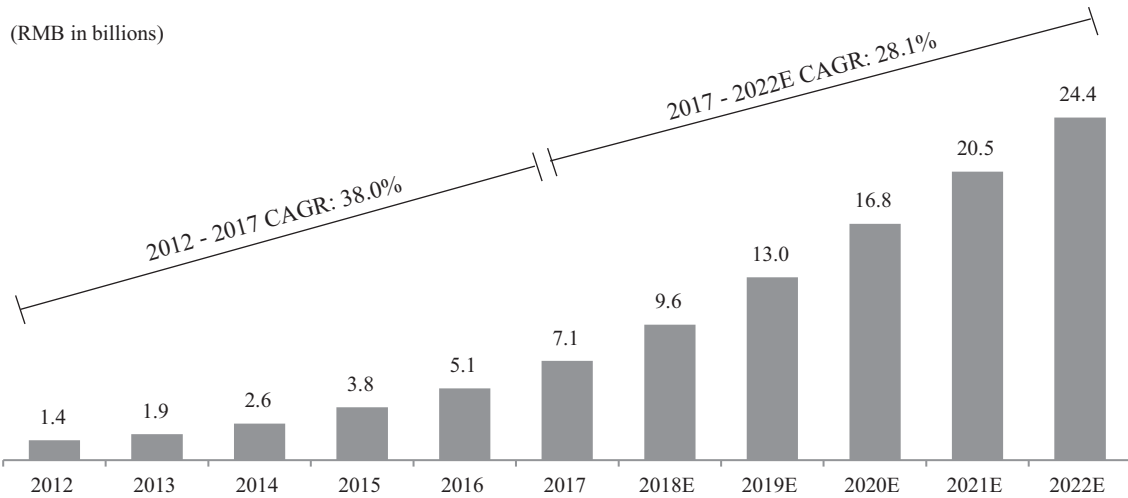
(1) No service fees data were available for the years of 2012 to 2015.

Online Entertainment Event Ticketing

The online penetration rate of entertainment event ticketing increased from 11.9% in 2012 to 38.6% in 2017, and is expected to further increase to 78.9% by 2022, according to the iResearch Report. The online ticketing services market for entertainment events increased from RMB1.4 billion in 2012 to RMB7.1 billion in 2017, and is expected to reach RMB24.4 billion in 2022, by GMV, according to the iResearch Report.

INDUSTRY OVERVIEW

China's Online Entertainment Event Ticketing Market GMV



Source: iResearch Report

Competitive Landscape

According to the iResearch Report, the online movie ticketing market in China is relatively concentrated, with the largest player, Maoyan, leading with a market share of 61.3% in the nine months ended September 30, 2018 by GMV. The second and third largest players had market shares of 34.3% and 2.5% respectively, according to the iResearch Report. The second largest player is the online movie ticketing unit of a Hong Kong-listed film company and the third largest player is the online movie ticketing unit of a U.S.-listed company. The online movie ticketing market was previously more fragmented with user incentives being the key marketing initiatives for user acquisition. According to the iResearch Report, from 2015 to 2017, the amount of user incentives offered to movie-goers was in the range of approximately RMB3.5 billion to RMB4.5 billion per year, including the amount offered by movie production companies. The use of user incentives may have a negative impact on the financial performance and profitability of the market players. According to the iResearch Report, there was a trend of consolidation of the online movie ticketing service industry in China in recent years following a series of mergers and combinations of key market players, including the Weying Acquisition, and smaller players exiting the market. The market share of Maoyan, the largest player, has increased over time, from 44.6% in 2015 to 47.1% in 2017, and further to 61.3% in the nine months ended September 30, 2018 after the Weying Acquisition by GMV of movie tickets sold online in China, according to the iResearch Report. According to the iResearch Report, due to industry consolidation and development of user behavior, the use of user incentives as a marketing initiative is expected to have declining impacts and become more stable, disciplined and regulated.

However, a more regulated use of user incentives could also have a negative impact on China's online entertainment ticketing market as a whole or on its future growth, and affect the GMV amount generated by the market players, which may, in turn, materially and adversely affect their revenue from online entertainment ticketing. Any potential regulatory limitation on the amount of service fees

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could reduce the market players' revenue, limit their profitability from online entertainment ticketing services and negatively affect their cash flow from operating activities. See "Risk Factors — Risks Relating to Our Business and Industries — Our failure to comply with laws, rules and regulations as well as changing laws, rules and regulations and legal uncertainty, could materially and adversely affect our business, financial condition and results of operations."

For the online entertainment event ticketing market in China, there exist some players with longer operating history. In recent years, established online movie ticketing service providers have entered the market by leveraging their user base to cross-sell entertainment event tickets. For example, Maoyan ranked second in the online entertainment event ticketing market in the nine months ended September 30, 2018, by GMV, with a market share of 11.3%, according to the iResearch Report. The entertainment event market is still nascent with considerable growing potential, providing ample opportunities for online ticketing service providers like Maoyan to leverage and capitalize on the scale of their online movie ticketing services user base and their experience in online marketing and promotion, according to the iResearch Report.

Key Success Factors

- **Size and Engagement Level of User Base**

Online entertainment ticketing businesses compete primarily on their ability to acquire and retain users. Industry players with scale and strong network effects are able to attract users more cost-effectively. In addition, companies with access to large mobile Internet user base built up through strategic partnerships with leading Internet platforms also have significant advantages in user acquisition. Online entertainment ticketing service providers also differentiate through user experience. Leading platforms with a large amount of quality entertainment content provide a highly engaging experience and enable users to make informed purchasing decisions. Companies with a large and highly engaged user base are able to expand and cross-sell service offerings, which further enhances user stickiness.

- **Relationships with Industry Partners**

The ability to develop and maintain strong relationships with industry partners, such as content production houses, content distributors, cinemas and other event promoters, is also a key differentiating factor for the online entertainment ticketing service providers. Leading service providers with scale are able to leverage their large user base and data analytics capabilities to help their business partners broaden audience reach and improve their operating results. Additionally, some online entertainment ticketing service providers also help their business partners digitize operations and enhance operating efficiency. Deep relationships with an extensive network of industry partners enable online entertainment ticketing service providers to offer comprehensive and valuable services to their users.

There has been competition in the online entertainment ticketing market and market players have been using different means to establish their market positions, such as more comprehensive service offerings and various marketing initiatives, including the use of user incentives. There have

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been and potentially will be new entrants in the online entertainment ticketing market, which may lead to increased competition in the market. It is thus important for online entertainment ticketing service providers to effectively engage with users by, for example, providing consumer-centric service offerings, and to maintain healthy and stable relationship with business partners. Therefore, players with a larger user base, more transaction volume, more comprehensive service offerings and more established industry resources are better positioned in the market.

Leveraging their large user base and extensive industry resources, leading online entertainment ticketing service providers have started to expand along and across the entertainment value chain and established themselves as integrated entertainment platforms, providing content services across the industry value chain.

ENTERTAINMENT CONTENT SERVICES

China's entertainment industry is fragmented with a large number of participants along the value chain from content production/investment to promotion and distribution and across entertainment content formats, such as movies, TV series, web series, web movies, variety shows as well as entertainment events.

The entertainment value chain consists of a number of participants. For example, movie production companies are typically in charge of movie investment and production. Movie distributors and promoters mainly formulate the overall movie distribution and promotion strategies as well as coordinate marketing and promotional activities. The economics split among industry participants varies on a case-by-case basis and depends on the specific entertainment formats. For example, for domestic movies, 3.3% and 5.0% of a movie's box office are collected for tax purpose and by the National Film Development Fund, respectively. Typically, approximately 52% of the box office is retained by cinema circuits and cinemas, while approximately 40% is taken by movie production companies, distributors and promoters for their revenue sharing.

Entertainment content service platforms have emerged to connect consumers with vertical players such as production companies and distributors and empower different industry participants to optimize operating results, leveraging their large user base, data analytics capabilities and industry resources. Platforms equipped with integrated industry resources can provide services that cover the evolving needs of industry participants. For example, Maoyan provided entertainment content services to movies that contributed over 90% of gross box office in China in the nine months ended September 30, 2018. Entertainment content providers face challenges from evolving audience tastes. Audience is ascribing increasing value to the standard and artistic quality of production content. The providers of high-quality content will increasingly gain an advantageous market position.

Internet-empowered entertainment platforms possess the user base and insights required to compete with traditional players, who may have previously benefited from more established industry knowledge and operational expertise in the sector. Platforms with a large user base and extensive industry resources are likely to better understand the audience's preferences and industry needs, allowing them to conduct their businesses more effectively and efficiently.

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OTHER ENTERTAINMENT MARKETS

Leveraging their large user base and transaction volume, Internet-empowered entertainment platforms are well-positioned to expand their business to other markets, such as entertainment e-commerce and advertising.

Entertainment E-commerce

Certain Internet-empowered entertainment platforms have commenced offering entertainment e-commerce business. As both China's entertainment industry and the purchasing power of its population continue to grow, it is expected that the entertainment e-commerce market, which mainly includes sales of IP-derivative merchandise products and in-venue food and beverages, will grow from RMB9.8 billion in 2017 to RMB41.5 billion in 2022, according to the iResearch Report. With increased adoption of mobile Internet and mobile payment, it is expected that more people will make purchases online, making Internet-empowered entertainment platforms well-positioned to ride the growth of the entertainment e-commerce market.

Advertising

Advertising presents an increasingly attractive opportunity for Internet-empowered entertainment platforms. China's advertising market reached RMB689.6 billion in 2017 and is expected to reach RMB1,457.9 billion in 2022, according to the iResearch Report. With the development of technology and mobile Internet, the online advertising market is undergoing a strong growth. According to the iResearch Report, the size of the online advertising market in China, as measured by advertising spending on online media was RMB375.0 billion in 2017 and is expected to reach RMB1,127.4 billion in 2022, representing a CAGR of 24.6%. The percentage of online advertising spending out of total advertising spending in China increased from 16.5% in 2012 to 54.4% in 2017, and is expected to reach 77.3% in 2022. In particular, mobile advertising has been a key driver for the growth of China's online advertising market. According to the iResearch Report, the market size of the mobile advertising market in China is expected to grow to RMB966.1 billion in 2022 from RMB255.0 billion in 2017, representing a CAGR of 30.5%. Leading online entertainment platforms with a large and highly engaged user base provide effective channels for advertising. Moreover, advertising integrated in content and with interactive features has become increasingly popular. Online entertainment platforms with strong content capabilities and an active user community are poised to capture this opportunity.

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REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES

Regulations on Value-Added Telecommunications Services

The Telecommunications Regulations of the People's Republic of China (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”), promulgated by the State Council on September 25, 2000, as amended on July 29, 2014 and February 6, 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. The Telecommunications Regulations require that telecommunication service providers shall obtain the operating license prior to the commencement of operations. According to the Catalog of Telecommunications Business (《電信業務分類目錄》), promulgated by the Ministry of Information Industry (the “**MIIT**”, which is the predecessor of MIIT) on February 21, 2003, as amended by the MIIT on December 28, 2015, information services provided via fixed network, mobile network and internet are value-added telecommunications services.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Measures**”), which was promulgated by the State Council on September 25, 2000, as amended on January 8, 2011, set out guidelines on the provision of internet information services. The Internet Measures classified internet information services into commercial internet information services and non-commercial internet information services. A commercial internet information services provider shall obtain an ICP License from the competent telecommunications authorities. According to the Administrative Measures for Telecommunications Businesses Operating Licensing (《電信業務經營許可管理辦法》) (the “**Telecommunications Measures**”), which was promulgated by the MIIT on July 3, 2017 and became effective on September 1, 2017, a commercial operator of value-added telecommunications services must obtain an ICP License from the MIIT or its provincial level counterparts. Moreover, a telecommunication service operator holding the ICP License shall be subject to annual inspection within the first quarter of each year.

Restrictions on Foreign Investment

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (Revised in 2016) (《外商投資電信企業管理規定》(2016年修訂)), promulgated by the State Council on December 11, 2001, as amended on September 10, 2008 and February 6, 2016, require the foreign investors to establish sino-foreign joint ventures in order to provide value-added telecommunications services in the PRC and the foreign investors may acquire up to 50% of the equity interests of the joint venture. The main foreign investor, i.e. the major foreign investor among all the foreign investors investing in a value-added telecommunications enterprise in the PRC, shall demonstrate a good track record and experiences in operating value-added telecommunications business. Foreign investors that meet these requirements shall obtain approvals from the MIIT and the MOFCOM, or their local counterparts, which retain considerable discretion in granting approvals, prior to the commencement of operation of value-added telecommunications business in the PRC.

On June 28, 2018, the MOFCOM and the NDRC jointly promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單) (2018年版)》) (the “**Negative List**”), which became effective on July 28, 2018. The

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special administrative measures for access of foreign investment (also known as the negative list on access of foreign investment), as provided in the Guidance Catalog of Industries for Foreign Investment (Revised in 2017) (《外商投資產業指導目錄》(2017年修訂)) promulgated jointly by the MOFCOM and NDRC on June 28, 2017, were repealed simultaneously. The Negative List also imposes 50% restrictions on foreign ownership in value-added telecommunications services (except for the operation of e-commerce business).

Pursuant to the Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the “**MII Notice**”), issued by the MII on July 13, 2006, domestic value-added telecommunications enterprises were prohibited to rent, transfer or sell value-added telecommunications business operation licenses to foreign investors in any form, or provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any value-added telecommunications business in the PRC. In addition, according to the MII Notice, the internet domain names and registered trademarks used by a foreign-invested value-added telecommunications services operator shall be legally owned by such operator or its shareholder.

Regulations on Mobile Internet Applications Information Services

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications (the “**APPs**”) as well as the internet application store are specially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (the “**APP Provisions**”), which were promulgated by the Cyberspace Administration of China (the “**CAC**”) on June 28, 2016 and became effective on August 1, 2016. According to the APP Provisions, the APP information service providers shall implement their information security management responsibilities strictly and fulfill their certain obligations, including but not limited to certify the identification information of the registered users with their mobile telephone number based information under the principle of a real name backstage, establish and perfect the mechanism for the protection of users’ information, safeguard users’ right to know and to make choices when users are installing or using such applications, and record the users’ log information and keep the same for 60 days.

REGULATIONS ON INFORMATION SECURITY AND PRIVACY PROTECTION

Internet content in the PRC is regulated and restricted from a state security standpoint. According to the Decision of the Standing Committee of the National People’s Congress on Internet Security Protection (Revised in 2009) (《關於維護互聯網安全的決定》(2009年修訂)), promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on December 28, 2000, as amended on August 27, 2009, any person who commits any of the following conducts shall be prosecuted in accordance with the Criminal Law for criminal liability if such conduct constitutes a criminal offense: (i) intrusion into any of the computer information networks relating to state affairs, national defense or cutting-edge science and technology; (ii) intentional making or spreading of computer viruses or other destructive programs to attack computer systems or communication networks, which result in damages to computer networks or communication networks; and (iii) violation of relevant provisions of the State in the form of unauthorized interruption of any computer

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network or communication service, as a result of which the computer network or communication system cannot function normally. The Administration Measures on the Security Protection of Computer Information Network with International Connections (Revised in 2011) (《計算機信息網絡國際聯網安全保護管理辦法》(2011年修訂)), promulgated by the State Council on December 30, 1997, as amended on January 8, 2011, prohibit using the internet which could threaten national security, cause leakage state secrets, impair state, public or collective interests or the lawful rights of citizens or commit a criminal crime. If an ICP License holder violates the measures, the competent PRC governmental authority may revoke its ICP License and shut down its websites.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures in accordance with laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities and maintain the integrity, confidentiality and usability of network data, the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of key information infrastructure shall store all the personal information and important data collected and produced within the territory of PRC. Their purchases of network products and services that may affect national security shall be subject to national cybersecurity review. Measures for Examining the Security of Network Products and Services (for Trial Implementation) (《網絡產品和服務安全審查辦法》(試行)), which was promulgated by the CAC on May 2, 2016 and became effective on June 1, 2017, provide more detailed rules relating to cyber security inspections.

According to the Provisions on the Technical Measures for the Protection of the Security of the Internet (《互聯網安全保護技術措施規定》), which was promulgated by the Ministry of Public Security on December 13, 2005 and became effective on March 1, 2006, the internet service providers shall take proper technical measures for the protection of the internet security, including anti-virus, data back-up and other related measures, keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and detect illegal information, stop transmission of such information and keep relevant records. Internet services providers are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences.

On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) to enhance the legal protection of information security and privacy on the internet. On July 16, 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), which became effective on September 1, 2013, to regulate the collection and use of personal information of users in the provision of telecommunication service and internet information service in the PRC.

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On December 29, 2011, the MIIT promulgated the Several Provisions on Regulation of the Order of Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》) (the “**Internet Information Service Market Provisions**”), which became effective on March 15, 2012. The Internet Information Service Market Provisions stipulate that without the consent of users, Internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information (hereinafter referred to as “**personal information of users**”), nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations. The Internet Information Service Market Provisions also require that internet information service providers shall properly preserve the personal information of users.

On May 9, 2017, the Supreme People’s Court and the Supreme People’s Procuratorate released the Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the “**Interpretations**”), effective from June 1, 2017. The Interpretations clarify several concepts regarding the crime of “infringement of citizens’ personal information” stipulated by Article 253A of the Criminal Law of the People’s Republic of China (《中華人民共和國刑法》), including “citizen’s personal information”, “provision” and “unlawful acquisition”. In addition, the Interpretations specify the standards for determining “serious circumstances” and “particularly serious circumstances” of this crime.

REGULATIONS ON FILM DISTRIBUTION

According to the Regulations on Administration of Films (《電影管理條例》) (the “**Film Regulations**”) promulgated by the State Council on December 25, 2001, which became effective on February 1, 2002, companies engaging in film distribution business must meet certain requirements and obtain approvals prior to the operation of film distribution business. Film distribution companies shall apply for the Operation Permit for Film Distribution from the State Administration of Radio, Film and Television (the “**SARFT**”, which is the predecessor of the State Administration of Radio and Television) or its provincial counterparts, as the case maybe. The Film Regulations also provide that the Operation Permit for Film Distribution is subject to annual inspection. Where a film distribution company intends to change its scope of business, merge with other film distribution companies, or establish new film distribution companies because of merger or separation, it shall obtain approval from the competent film governmental authorities in accordance with the provisions of the Film Regulations.

The Interim Provisions on Access Qualification for Film Enterprises (《電影企業經營資格准入暫行規定》), which was promulgated by the MOFCOM and SARFT on October 10, 2004, and as amended on August 28, 2015, further provide, among other things, detailed measures regarding film distribution companies. On November 7, 2016, the SCNPC promulgated the Film Industry Promotion Law of the People’s Republic of China (《中華人民共和國電影產業促進法》) (the “**Film Industry Promotion Law**”), which became effective on March 1, 2017. According to the Film Industry Promotion Law, upon the approval of the competent film authority or its provincial counterpart, a company may carry out film distribution business. In addition, foreign investment in film distribution companies is prohibited pursuant to the Negative List.

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REGULATIONS ON COMMERCIAL PERFORMANCE AGENCY SERVICES

In accordance with the Regulations for the Administration of Commercial Performances (Revised in 2016) (《營業性演出管理條例》(2016年修訂)) (the “**Commercial Performances Regulations**”), promulgated by the State Council on July 7, 2005, and last amended on February 6, 2016, entities engaging in commercial performance activities shall first obtain a commercial performance permit from the competent cultural authorities. According to the Commercial Performances Regulations, foreign investors are allowed to establish sino-foreign equity joint venture performance brokerage agencies with Chinese investors, but shall not establish any wholly-owned performance brokerage agencies. The Commercial Performances Regulations provide that the ownership percentage by Chinese investors in a sino-foreign equity joint venture performance brokerage agency shall not be less than 51%, which is also stipulated by the Negative List.

The Implementation Rules of the Regulations for the Administration of Commercial Performances (《營業性演出管理條例實施細則》) (the “**Commercial Performances Implementation Rules**”), which was promulgated by the Ministry of Culture (the “**MOC**”, the predecessor of the Ministry of Culture and Tourism) on August 28, 2009 and was amended on December 15, 2017, set out further detailed guidelines with respect to the administration of commercial performances. According to the Commercial Performances Implementation Rules, tickets selling falls within the scope of commercial performances activities stipulated under the Commercial Performances Regulations. Under the Commercial Performances Implementation Rules, performance brokerage agencies refer to entities engaging in (i) such operating activities as the organization, making and marketing of performances, (ii) such brokering activities as the intermediacy, agency and commission of performances; and (iii) such brokering activities as signing, promoting and representing performers.

REGULATIONS ON RADIO AND TELEVISION PROGRAMS

According to the Administrative Regulations on Radio and Television (《廣播電視管理條例》), promulgated by the State Council on August 11, 1997, and last amended on March 1, 2017, among other things, entities for production and operation of radio and television programs shall be established upon the approval of competent radio and television authorities. Only radio stations, television stations and entities for production and operation of radio and television programs can produce radio and television programs. No radio or television station may broadcast any program produced by entities which are not licensed to produce and operate radio or television programs.

In accordance with the Administrative Provisions on the Production and Operation of Radio and Television Programs (《廣播電視節目製作經營管理規定》), promulgated by the SARFT on July 19, 2004, and amended on August 28, 2015, entities that produce and operate radio and television programs must first obtain a Radio and Television Program Production and Operation Permit. Entities holding such permits shall conduct their business within the permitted scope as provided in their permits. In addition, foreign investment in radio and television program production and operation companies is prohibited pursuant to the Negative List.

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REGULATIONS ON INTERNET AUDIO-VISUAL PROGRAM SERVICES

According to the Decisions of the State Council on the Entry of the Non-public Capital into the Cultural Industry (《國務院關於非公有資本進入文化產業的若干決定》) promulgated by the State Council on April 13, 2005 and the Several Opinions on Canvassing Foreign Investment into the Cultural Sector (《關於文化領域引進外資的若干意見》) jointly adopted by five PRC governmental authorities on July 6, 2005, non-state-owned capital and foreign investors are not allowed to conduct the business of transmitting audio-visual programs via an information network.

According to the Administrative Regulations on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》) (the “**Internet Audio-Visual Program Regulations**”), which was promulgated by the SARFT and the MII on December 20, 2007 and amended on August 28, 2015, an Internet audio-visual program service provider shall obtain the Permit for Spreading Audio-Visual Programs via Information Network (the “**Audio-Visual Permit**”) issued by the competent governmental authority of radio, film and television. Internet audio-visual program service refers to activities of making, redacting and integrating audio-visual programs, providing them to the general public via internet and providing service for other people to upload and spread audio-visual programs. Where an internet audio-visual program service provider changes its shareholders or equity structure, has any material change in assets, is listed, or has other material fund-raising acts, or if its business scope goes beyond those stated in its Audio-Visual Permit, it shall obtain approval in accordance with the Internet Audio-Visual Program Regulations. When an internet audio-visual program service provider changes its website address or website name, it shall file such change for record with the competent governmental authority of radio, film and television.

According to Official Answers to Press Questions Published Regarding the Internet Audio-Visual Program Regulations (《就<互聯網視聽節目服務管理規定>答記者問》) on the SARFT’s website dated February 3, 2008, officials from the SARFT and the MIIT clarified that online audio-visual service providers that already had been in operation lawfully prior to the promulgation of the Internet Audio-Visual Program Regulations may re-register and continue to operate without becoming state-owned or controlled, provided that such providers have not engaged in any unlawful activities. This exemption will not be granted to internet audio-visual program service providers established after the issuance of Internet Audio-Visual Program Regulations. These policies have later been reflected in the Notice on Relevant Issues Concerning Application and Approval of Audio-Visual Permit (《關於做好<信息網絡傳播視聽節目許可證>申報審核工作有關問題的通知》), issued by the SARFT on May 21, 2008 and amended on August 28, 2015.

REGULATIONS ON INTERNET ADVERTISEMENT

The Advertising Law of the People’s Republic of China (《中華人民共和國廣告法》) (The “**Advertising Law**”), which was promulgated by the SCNPC on October 27, 1994 and was amended on April 24, 2015, requires advertisers, advertising operators and advertising distributors to ensure that the content of the advertisements they produce or distribute are true and in full compliance with applicable laws and regulations and the content of the advertisement shall not contain anything related to cigarette. In addition, where a special government review is required for certain categories of advertisements before publishing, the advertisers, advertising operators and advertising distributors are obligated to confirm that such review has been duly performed and that the relevant approval has

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been obtained. Without prior consent or request, the advertisers, advertising operators and advertising distributors shall not deliver advertisement to any person's accommodation or transportation. If the advertisers, advertising operators and advertising distributors display any pop-up advertisement, they shall show the close button clearly to make sure that the viewers can close the advertisement in one-click.

On July 4, 2016, the SAIC promulgated the Interim Measures on Internet Advertisement (《互聯網廣告管理暫行辦法》) (the “**Internet Advertisement Measures**”), which became effective on September 1, 2016. The Internet Advertisement Measures regulate any advertisement published on the Internet, including but not limited to, through websites, webpage and APPs, in the form of word, picture, audio and video and provides more detailed guidelines to the advertisers, advertising operators and advertising distributors. The following activities are prohibited under the Internet Advertisement Measures: (i) providing or using applications and hardware to block, filter, skip over, tamper with, or cover up lawful advertisements provided by others; (ii) using network access, network equipment and applications to disrupt the normal transmission of lawful advertisements provided by others or adding or uploading advertisements without permission; or (iii) harming the interests of others by using fake statistics or traffic data.

REGULATIONS ON CUSTOMER PROTECTION

Pursuant to the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (Revised in 2013)(《中華人民共和國消費者權益保護法》(2013年修訂)), promulgated by the SCNPC on October 25, 2013, and became effective on March 15, 2014, business operators shall provide consumers with truthful and full information concerning the quality, performance, purpose and term of validity of the goods or services they provide and shall not make any false or misleading statements. Consumers whose legitimate rights and interests are infringed while purchasing goods or receiving services via an online trading platform shall have the right to claim compensation from the vendor of the goods or the provider of the services. Where the operator of the online trading platform cannot provide the real name, address and effective contact of the vendor or the service provider, the consumers shall have the right to claim compensation from the operator of the online trading platform; where the operator of the online trading platform has made commitments in more beneficial terms to the consumers, they shall deliver on their commitments. After compensating the consumers, the operator of the online trading platform shall in turn have the right to claim compensation from the vendor or service provider. Where the operator of the online trading platform is or should be aware that the seller or the service provider is using its platform to harm the legitimate rights and interests of consumers but fails to adopt the requisite measures, the operator of the online trading platform shall be liable jointly and severally with the seller or the service provider pursuant to the law.

REGULATIONS ON INTELLECTUAL PROPERTY

Copyright and Software Products

China has enacted various laws and regulations relating to the protection of copyright. China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October, 1992, the Universal Copyright Convention in October, 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

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The Copyright Law of the People's Republic of China (Revised in 2010) (《中國人民共和國著作權法》(2010年修訂)) (the “**Copyright Law**”), which was promulgated by the SCNPC on September 7, 1990, as amended on October 27, 2001 and February 26, 2010, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial to the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (the “**Software Copyright Measures**”), promulgated by the National Copyright Administration on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration of China shall be the competent governmental authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the “**CPCC**”) is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例》(2013年修訂)).

Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》) provide that web users or web service providers who create works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

Trademark

Trademarks are protected by the Trademark Law of the People's Republic of China (Revised in 2013) (《中華人民共和國商標法》(2013年修訂)) (the “**PRC Trademark Law**”) which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001 and August 30, 2013, respectively, as well as the Implementation Regulation of the PRC Trademark Law adopted by the State Council on August 3, 2002 (Revised in 2014) (《中華人民共和國商標法實施條例》(2014年修訂)). In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within six months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office for record. The licensor shall supervise the quality of the commodities on which the trademark is used and the licensee shall guarantee the quality of such commodities. As to trademarks, the PRC Trademark Law has adopted a “first come,

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first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Patents

According to the Patent Law of the People’s Republic of China (Revised in 2008) (《中華人民共和國專利法》(2008年修訂)) promulgated by the SCNPC and its Implementation Rules (Revised in 2010) (《中華人民共和國專利法實施細則》(2010年修訂)) promulgated by the State Council, the State Intellectual Property Office of the PRC is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the People’s Republic of China and its implementation rules provide three types of patents, “invention”, “utility model” and “design”. Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, from the date of application. The PRC patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

Domain Names

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

REGULATIONS ON FOREIGN INVESTMENT

General Administration of Foreign Exchange

Under the Foreign Currency Administration Rules of the People’s Republic of China (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and last amended on August 5, 2008 and various regulations issued by the SAFE and other relevant PRC governmental authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other

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currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local counterparts. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local counterparts. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of China. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of China.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “**SAFE Circular 59**”) which was promulgated by the SAFE on November 19, 2012, and became effective on December 17, 2012 and was amended on May 4, 2015, the approval is not required for the opening of an account entry in foreign exchange accounts under direct investment, for domestic transfer of the foreign exchange under direct investment. SAFE Circular 59 also simplifies the capital verification and confirmation formalities for foreign invested enterprises and the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire the equity interests and foreign exchange registration formalities required for the foreign investors to acquire the equity interests of Chinese party, and further improve the administration on exchange settlement of foreign exchange capital of foreign invested enterprises.

On February 13, 2015, the SAFE promulgated the Notice on Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Circular 13**”), effective from June 1, 2015, which cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment. In addition, SAFE Circular 13 simplifies the procedure of registration of foreign exchange and investors must register with banks to have the registration of foreign exchange under the condition of direct domestic investment and direct overseas investment.

The Notice of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Circular 19**”) was promulgated on March 30, 2015 and became effective on June 1, 2015 by the SAFE. According to the SAFE Circular 19, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange governmental authorities has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise must truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise must first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement

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Pending Payment with the foreign exchange bureau (bank) at the place of registration. The Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Circular 16**”) was promulgated and became effective on June 9, 2016 by the SAFE. According to the SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency into Renminbi on self-discretionary basis. The SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis, which applies to all enterprises registered in China. The SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investment with the exception of bank financial products that can guarantee the principal within China unless otherwise specifically provided. In addition, the converted Renminbi may not be used to make loans for related enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise own use with the exception for the real estate enterprise.

Regulations Relating to Dividend Distribution

The major laws and regulations governing the distribution of dividends by foreign invested enterprises in China include the Companies Law, the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》) promulgated by the SCNPC on April 12, 1986, amended on September 3, 2016 and became effective on October 1, 2016 and its Implementation Regulations (《中華人民共和國外資企業法實施細則》) promulgated by the State Council on December 12, 1990, amended on February 19, 2014 and became effective on March 1, 2014, the Equity Joint Venture Law of the People’s Republic of China (《中華人民共和國中外合資經營企業法》) (the “**Joint Venture Law**”) promulgated by the SCNPC on July 8, 1979, amended on September 3, 2016 and became effective on October 1, 2016 and its Implementation Regulations (《中華人民共和國中外合資經營企業法實施條例》) promulgated by the State Council on September 20, 1983, amended on February 19, 2014 and became effective on March 1, 2014. According to these laws and regulations, a PRC company is required to set aside as statutory reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company may not distribute any profits until any losses from prior fiscal years have been offset. Specifically, the foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations, and the reserve funds, bonus and welfare funds for staff must be drawn and allocated prior to the dividends. In addition, profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations Relating to Offshore Investment

On July 4, 2014, the SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”). The SAFE Circular 37 supersedes the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (《關

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於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under SAFE Circular 37, a domestic resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “SPV”), that is directly established or indirectly controlled by the domestic resident for the purpose of conducting investment or financing. In addition, in the event of any change of basic information of the overseas SPV such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration procedures for offshore investment. According to the procedural guideline as attached to the SAFE Circular 37, the principle of review has been changed to “the domestic individual resident shall only register the SPV directly established or controlled (first level)”. At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) with respect to the procedures for SAFE registration under the SAFE Circular 37, which became effective on July 4, 2014 as an attachment to SAFE Circular 37. Under the relevant rules, failure to comply with the registration procedures set forth in SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant domestic residents to penalties under PRC foreign exchange administration regulations. Domestic residents who hold any shares in the company from time to time are required to register with the SAFE in connection with their investments in the company.

The SAFE Circular 13 has further amended SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than the SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

Regulations Relating to Stock Incentive Plans

On February 15, 2012, the SAFE promulgated the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), which became effective immediately, and stipulated that individuals participating in any stock incentive plan of any overseas publicly listed company who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, subject to a few exceptions are required to register with the SAFE or its local counterparts and complete certain other procedures through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local counterparts for an annual quota for the payment of foreign currencies in connection with the PRC residents’ exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted

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and dividends distributed by the overseas listed companies must be remitted into the bank accounts in China opened by the PRC agents before distribution to such PRC residents. In addition, pursuant to Circular No. 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to the SAFE or its local branches for foreign exchange registration with respect to offshore special purpose entities. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax in Relation to Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) promulgated and became effective on August 24, 2009 by the SAT, listed companies and their domestic organizations will, according to the individual income tax calculation methods for “wage and salary income” and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATIONS ON M&A RULES AND OVERSEAS LISTINGS

On August 8, 2006, six PRC governmental authorities, including the MOFCOM and the CSRC, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), which became effective on September 8, 2006 and were amended on June 22, 2009. Foreign investors must comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company and thus changing the nature of the domestic company into a foreign invested enterprise; or when the foreign investors establish a foreign invested enterprise in China, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled directly or indirectly by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

REGULATIONS ON WHOLLY FOREIGN-OWNED ENTERPRISE

Under the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) promulgated in 1986 and last amended in September 3, 2016, and the Detailed Implementing Rules for the Wholly Foreign-Owned Enterprise Law of the People’s Republic of China (《中華人民共和國外資企業法實施細則》), which was promulgated in 1990 and was last amended on February 19, 2014, an application for establishing a wholly foreign-owned enterprise shall be subject to examination and approval by the Ministry of Foreign Trade and Economic Cooperation of the PRC (“**MOFTEC**”, currently known as the MOFCOM) before the approval certificate is issued. Within 90 days of the date of receipt of an application, the examination and approval authority shall decide whether or not to grant the approval.

On September 3, 2016, the Decision of the Standing Committee of the National People’s Congress on Revising Four Laws including the Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (《全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定》) (the “**Decision on Revision of Four Laws**”) was promulgated and became effective on October 1, 2016. On October 8, 2016, the MOFCOM published the Interim Measures for the Administration of Establishment and Change Filings of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the “**Filings Measures**”), which became effective on the same

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date and was last amended on June 29, 2018. The Decision on Revision of Four Laws and the Filings Measures revised relevant administrative approval provisions of the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law of the People's Republic of China on the Protection of the Investments of Taiwan Compatriots (《中華人民共和國台灣同胞投資保護法》) and the relevant formality regime for the incorporation and change of foreign-invested enterprises, whereby if the incorporation or change of foreign-invested enterprises does not involve special access administrative measures prescribed by the PRC government, the examination and approval process is now being replaced by the record-filing administration process.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

The Labor Contract Law

According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) promulgated on July 5, 1994 and became effective on January 1, 1995 and amended on August 27, 2009 and December 29, 2018, respectively, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in China. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection. The Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”), which was implemented on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with the laws and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998. The Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) implemented on July 1, 2011, enterprises are obliged to provide their employees in China with welfare

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schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council in 1999 and amended in 2002, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

REGULATIONS ON TAXATION

Enterprise Income Tax

On March 16, 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) which was amended on February 24, 2017, and on December 6, 2007, the State Council enacted The Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) (collectively, the "EIT Laws"). The EIT Laws came into effect on January 1, 2008. According to the EIT Laws, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside China. Under the EIT Laws and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in China, or if they have formed permanent establishment institutions or premises in China but there is no actual relationship between the relevant income derived in China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside China. The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People's Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準實施居民企業認定有關問題的通知》) promulgated by the SAT on April 22, 2009 and amended on January 29, 2014 and December 29, 2017, sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China.

The EIT Laws provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises", and gains derived by such investors, which (i) do not have an establishment or place of business in China or (ii) have an establishment or place of business in China, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within China. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and the

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jurisdictions in which non-PRC shareholders reside. Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”) and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from competent tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協議股息條款有關問題的通知》) (the “**Notice No. 81**”) issued by the SAT on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties (《關於如何理解和認定稅收協議中「受益所有人」的通知》), which was issued by the SAT on October 27, 2009, and the Announcement on the Recognition of Beneficial Owners in Tax Treaties (《關於認定稅收協議中「受益所有人」的公告》), which was issued by the SAT on June 29, 2012, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognized as beneficial owners and thus will not be entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value-added Tax and Business Tax

The Provisional Regulations of the People’s Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994, which were subsequently amended on November 10, 2008 and came into effect on January 1, 2009 and subsequently amended on February 6, 2016, last amended on November 19, 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the People’s Republic of China on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則》(2011年修訂)) were promulgated by the Ministry of Finance and the SAT on December 15, 2008 which were subsequently amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the “**VAT Laws**”). According to the VAT Laws, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services and the importation of goods within the territory of the PRC must pay value-added tax. For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Laws, the value-added tax rate is 17%. Pursuant to The Provisional Regulations of the People’s Republic of China on Business Tax (《中華人民共和國營業稅暫行條例》), which became effective on January 1, 1994 and were subsequently amended on February 19, 1997 and November 10, 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within China must pay a business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the regulation. On January 1, 2012, the State Council officially launched a pilot VAT reform program (the “**Pilot Program**”), applicable to businesses in selected industries. Businesses in the Pilot Program would pay VAT instead of the business tax. The Pilot Program initially applied only to transportation industry and “modern service

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industries” (the “**Pilot Industries**”) in Shanghai. The research and development and technical services, information technology services included in the Pilot Industries are subject to the VAT tax rate of 6%. Subsequently, the Pilot Program has been expanded to ten additional regions, including, among others, Beijing and Guangdong province, and nationwide to the designated pilot industry. According to the Notice Regarding Including the Telecommunications Sector under the Pilot Program of Replacing Business Tax with Value-Added Tax (《關於將電信業納入營業稅改徵增值稅試點的通知》), which was promulgated on April 29, 2014 and became effective on June 1, 2014, the entities and individuals providing telecommunications services within the territory of PRC shall pay VAT instead of business tax. The Trial Implementing Measures of the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點實施辦法》), which was promulgated on March 23, 2016, became effective on May 1, 2016, amended on July 11, 2017, and became effective retroactively as of July 1, 2017, and superseded the Notice Regarding the Including Telecommunications Sector under the Pilot Program of Replacing Business Tax with Value-Added Tax on the same date set out that it collected value-added tax in lieu of business tax in all regions and industries.

HISTORY AND REORGANIZATION

GENERAL

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on December 8, 2017. As part of the Reorganization, our Company became the holding company of our Group for the purpose of the listing with our businesses conducted through our subsidiaries and Consolidated Affiliated Entities. See “— Reorganization.”

HISTORY

We commenced our online movie ticketing business as an entertainment department of Meituan Corporation in 2012 and launched our *Maoyan* app in 2013. In May 2015, Tianjin Maoyan Weying was established as a separate legal entity to succeed the aforementioned business. We assumed the entertainment business of Dianping Holdings Ltd. in October 2015 after the completion of the strategic transaction of Meituan Corporation and Dianping Holdings Ltd. We were diverted from Meituan Dianping in 2016. Leveraging our fast growing online entertainment ticketing business, we started acting as lead distributors for movies and started to engage in other entertainment businesses in 2016.

Over the years, we gradually developed into a leading platform providing innovative Internet-empowered entertainment services in China. Our primary businesses comprise online entertainment ticketing services, entertainment content services, e-commerce services and advertising services and others.

The following is a summary of our Group’s key business development milestones:

Year	Event
2012	Started to conduct online movie ticketing business as an entertainment department of Meituan Corporation
2013	Launched the <i>Maoyan</i> app with online seat selection function
2014	Commenced Internet-based entertainment content services in China
2015	Became the exclusive entertainment ticketing channel on Meituan Dianping platform Launched the <i>Maoyan Pro</i> app
2016	Introduced Enlight as a strategic investor Started to act as lead distributors for movies

HISTORY AND REORGANIZATION

Year	Event
2017	Formed strategic partnership with Tencent and became the exclusive entertainment ticketing channel on Tencent social network platform Acquired Beijing Weige Shidai Market share in China for online movie ticketing business exceeded 60% in terms of both GMV and number of tickets sold Became the second largest online entertainment event ticketing service provider in China
2018	Provided entertainment content services for movies that contributed to over 90% of the gross box office in China in the nine months ended September 30, 2018 Largest lead distributor of domestic movies in terms of China gross box office in the 21 months ended September 30, 2018

OUR MAJOR SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

As of the Latest Practicable Date, the following subsidiary and Consolidated Affiliated Entities principally affected the results, assets, liabilities or businesses of the Group:

1. **Maoyan Technology**

Maoyan Technology was incorporated as a limited liability company in the PRC on February 5, 2018. As of the Latest Practicable Date, it was an indirect wholly-owned subsidiary of the Company. We have adopted a series of Contractual Arrangements with Maoyan Technology, our Consolidated Affiliated Entities and the Registered Shareholders in July 2018 which were further updated in August 2018, pursuant to which, the Company shall exercise control over the business operation of our Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom through Maoyan Technology.

2. **Tianjin Maoyan Weying**

Tianjin Maoyan Weying was incorporated as a limited liability company in the PRC on May 27, 2015. It holds Movie Distribution and Operation License (《電影發行經營許可證》) and Commercial Performance License (《營業性演出許可證》) for movie production, promotion and distribution businesses, and possesses accesses to various online platforms including Meituan.com, *Meituan* app, *Maoyan* app and *Dianping* app. Tianjin Maoyan Weying is the holding company of all the other Consolidated Affiliated Entities of our Group and is controlled by the WFOE through Contractual Arrangements.

HISTORY AND REORGANIZATION

3. Beijing Maoyan

Beijing Maoyan was incorporated as a limited liability company in the PRC on November 12, 2015. It holds various licenses, including the ICP License (《電信與信息服務業經營許可證》) for online ticketing service business, the Internet Culture Business Operation License (《網絡文化經營許可證》) and the Radio and TV Programs Production and Operation License (《廣播電視節目製作經營許可證》). As of the Latest Practicable Date, Beijing Maoyan was a wholly-owned subsidiary of Tianjin Maoyan Weying and is therefore controlled by Maoyan Technology through the Contractual Arrangements.

MATERIAL SHAREHOLDING CHANGE AND PRE-IPO INVESTMENTS

Tianjin Maoyan Weying, previously known as Tianjin Maoyan Cultural Media Co., Ltd (天津貓眼文化傳媒有限公司), was incorporated as a limited liability company in the PRC on May 27, 2015 by Mr. WANG Xing and Mr. MU Rongjun, who are founders of Meituan Dianping. The initial funding for Tianjin Maoyan Weying's incorporation was contributed by Meituan Dianping from its accumulated general working capital.

On April 20, 2016, Mr. WANG Xing and Mr. MU Rongjun transferred their entire equity interests in Tianjin Maoyan Weying to Shanghai Sankuai Technology and Beijing Sankuai Technology, both of which are directly owned by Mr. WANG Xing and Mr. MU Rongjun and are operating entities of Meituan Dianping through contractual arrangements. Upon completion of the above equity transfer, 68% equity interests in Tianjin Maoyan Weying were held by Shanghai Sankuai Technology while Beijing Sankuai Technology held the remaining 32% equity interests.

Historical Arrangement Relating to Employee Incentive Plan at Onshore Level

To incentivize the management team, retain talent and promote the long-term sustainable development of Tianjin Maoyan Weying and its subsidiaries, the shareholders of Tianjin Maoyan Weying established five limited partnerships (i.e. Tianjin Caiyi, Tianjin Caixuan, Tianjin Caiying, Tianjin Caichuang and Tianjin Guanghong, together the “**Historical ESOP Platforms**”), which in aggregate were allocated 10% equity interests in Tianjin Maoyan Weying, to administer the employee incentive plan at onshore level (the “**Onshore Employee Incentive Plan**”). The registered capital of Tianjin Maoyan Weying was increased from RMB50,000,000 to RMB55,555,555 on May 13, 2016, accordingly. As a result, Beijing Sankuai Technology and Shanghai Sankuai Technology's equity interests in Tianjin Maoyan Weying were diluted to 28.8% and 61.2%, respectively.

On July 23, 2018, the Company adopted Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, RSU Scheme and Restricted Share Agreement at the Company's level to substantially substitute the Onshore Employee Incentive Plan and therefore the Onshore Employee Incentive Plan ceased to function. See “—Reorganization— 5. Establishment of Employee Incentive Scheme.”

Between 2016 and 2017, we conducted several rounds of Pre-IPO Investments and introduced Enlight, Weying and Tencent as our strategic investors to support our fast-growing and expanding business operations.

HISTORY AND REORGANIZATION

Share redesignation and share subdivision

On January 11, 2019, our Shareholders resolved, among other things, that all the issued and unissued class A ordinary shares, class B1 ordinary shares, class B2 ordinary shares and series A preferred shares were to be redesignated as ordinary shares on a one-for-one basis immediately before the Global Offering. It was also resolved that, following the redesignation of the issued and unissued class A ordinary shares, class B1 ordinary shares, class B2 ordinary shares and series A preferred shares, each issued and unissued ordinary share of then par value of US\$0.0001 each will be subdivided into five Shares of par value of US\$0.00002 each.

As a consequence of this, at the time of the Global Offering, the authorized share capital of the Company shall be US\$50,000 divided into 2,500,000,000 ordinary shares of par value US\$0.00002 each, of which 1,118,626,731 (based on the high end of the Offer Price range) or 1,126,218,301 (based on the low end of the Offer Price range) are issued and fully paid-up.

Pre-IPO Investment by Enlight

On May 27, 2016, Enlight, Shanghai Sankuai Technology and Beijing Sankuai Technology, among others, entered into an equity purchase agreement, pursuant to which: (i) Enlight Investment acquired 28.8% equity interests in Tianjin Maoyan Weying from Beijing Sankuai Technology in consideration of 176,016,506 shares it held in Enlight Media, and 9.6% equity interests in Tianjin Maoyan Weying from Shanghai Sankuai Technology in consideration of RMB800,000,000; (ii) Enlight Media acquired 19.0% equity interests in Tianjin Maoyan Weying from Shanghai Sankuai Technology in consideration of RMB1,583,000,000. After the closing of the transactions summarized above, Enlight Investment and Enlight Media held 38.4% and 19.0% of equity interests in Tianjin Maoyan Weying, respectively.

The table below sets out the principal terms of the Pre-IPO Investment by Enlight:

Name of Pre-IPO Investor	Enlight Investment	Enlight Media
Date of investment		May 27, 2016
Equity interests being acquired	38.4%	19.0%
Total consideration paid	RMB3,200,000,000 ⁽¹⁾	RMB1,583,000,000
Investment cost per share⁽²⁾	RMB67.1	RMB67.1
Discount to the Offer Price⁽³⁾	13.0%	13.0%
Closing date		July 26, 2016
Basis of consideration	Based on arm's length negotiations between the relevant parties after taking into consideration the business value of Tianjin Maoyan Weying and its subsidiaries being approximately RMB8,333 million at the time of the investment, which was determined with reference to the asset value of the entities.	

HISTORY AND REORGANIZATION

Notes:

- (1) The consideration was consisted of RMB800,000,000 and 176,016,506 shares of Enlight Media (equivalent to RMB2,400,000,000).
- (2) The subscription price was US\$0.0001 per share. The investment cost per share was calculated based on dividing (a) total investment cost, by (b) the number of shares subscribed.
- (3) Assuming the Offer Price is HK\$17.60 per Share, being the mid-point of the indicative Offer Price range, and after the share redesignation and share subdivision.

On May 26, 2017, we entered into an equity purchase agreement with Enlight Media, pursuant to which we acquired 68.55% equity interest of Jietong Wuxian from Enlight Media. As the business integration did not go well as expected, we decided to dispose of Jietong Wuxian in July 2018. See “Risk Factors — Risks Relating to Our Business and Industries — We may incur increased expenses and may not be able to successfully complete or realize expected benefits from our investments or acquisitions.”

On August 25, 2017, in accordance with the options granted in the Pre-IPO Investment by Enlight in 2016, Enlight Investment further acquired 19.7% equity interests in Tianjin Maoyan Weying from Shanghai Sankuai Technology, with a consideration of RMB1,775,770,000. After the closing of this transaction, Mr. WANG Changtian, through Enlight Investment held 58.1% of equity interests in Tianjin Maoyan Weying.

The table below sets out the principal terms of the second Pre-IPO Investment by Enlight:

Name of Pre-IPO Investor	Enlight Investment
Date of investment	August 25, 2017
Equity interests being acquired	19.7%
Total consideration paid	RMB1,775,770,000
Investment cost per share ⁽¹⁾	RMB72.5
Discount to the Offer Price ⁽²⁾	6.0%
Closing date	August 25, 2017
Basis of consideration	Based on arm’s length negotiations between the relevant parties after taking into consideration the business value of Tianjin Maoyan Weying and its subsidiaries being approximately RMB9,000 million at the time of the investment, which was determined with reference to the asset value of the entities.

Notes:

- (1) The subscription price was US\$0.0001 per share. The investment cost per share was calculated based on dividing (a) total investment cost, by (b) the number of shares subscribed.
- (2) Assuming the Offer Price is HK\$17.60 per Share, being the mid-point of the indicative Offer Price range, and after the share redesignation and share subdivision.

HISTORY AND REORGANIZATION

After the second Pre-IPO Investment by Enlight, on September 20, 2017, Enlight Investment transferred 11.1% equity interests it held in Tianjin Maoyan Weying to Enlight Media in a consideration of RMB999,900,000, after which, Tianjin Maoyan Weying was held by Enlight Investment, Enlight Media, Shanghai Sankuai Technology and Historical ESOP Platforms as to 47.0%, 30.1%, 12.9% and 10.0%, respectively.

Pre-IPO Investment by Linzhi Lixin and Acquisition of Beijing Weige Shidai

On September 21, 2017, Linzhi Lixin, Beijing Weying Shidai and Tianjin Maoyan Weying, among others, entered into a registered capital increase agreement (the “**2017 Capital Increase Agreement**”), pursuant to which, Linzhi Lixin agreed to transfer its 100% equity interest in Ruihai Fangyuan, and Beijing Weying Shidai agreed to transfer its 100% equity interests in Beijing Weige Shidai, to Tianjin Maoyan Weying. In consideration for the aforesaid equity interests transfer, (a) Linzhi Lixin was issued RMB5,534,670 of the registered capital of Tianjin Maoyan Weying in September 2017; and (b) Beijing Weying Shidai was issued RMB23,279,031 of the registered capital of Tianjin Maoyan Weying in September 2017, and Weying (BVI) Limited, which is wholly-owned by Beijing Weying Shidai, was issued 2,233,296 ordinary shares of the Company at a par value of US\$ 0.0001 in July 2018.

The table below sets out the principal terms of the 2017 Capital Increase Agreement:

Name of Pre-IPO Investor	Linzhi Lixin	Beijing Weying Shidai	
Date of investment		September 21, 2017	
Equity interests/Shares being subscribed⁽¹⁾	6.6%	27.6%	1.2%
Total consideration	100% equity interests in Ruihai Fangyuan	100% equity interests in Beijing Weige Shidai	
Investment cost per share⁽²⁾	RMB72.5	RMB72.5	
Discount to the Offer Price⁽³⁾	6.0%	6.0%	
Closing date	September 25, 2017	July 20, 2018	
Basis of consideration	Based on arm’s length negotiations between the relevant parties after taking into consideration the business value of Tianjin Maoyan Weying and its subsidiaries being approximately RMB9,000 million, the business value of Ruihai Fangyuan being approximately RMB897 million and Beijing Weige Shidai being approximately RMB3,974 million, at the time of the investment, which were determined with reference to the asset value of the entities.		

Notes:

- (1) In September 2017, Linzhi Lixin and Beijing Weying Shidai held 6.6% and 27.6% of equity interests in Tianjin Maoyan Weying, respectively. In July 2018, Beijing Weying Shidai, through its wholly-owned subsidiary Weying (BVI) Limited, was issued 1.2% ordinary shares on diluted basis of our Company. See “—Reorganization—2. Issue Shares to the Offshore Investment Vehicles of Tianjin Maoyan Weying’s Shareholders to Substantially Reflect their Shareholding in Tianjin Maoyan Weying.”

HISTORY AND REORGANIZATION

- (2) The subscription price was US\$0.0001 per share. The investment cost per share was calculated based on dividing (a) total investment cost, by (b) the number of shares subscribed.
- (3) Assuming the Offer Price is HK\$17.60 per Share, being the mid-point of the indicative Offer Price range, and after the share redesignation and share subdivision.

Ruihai Fangyuan is a limited liability company incorporated in the PRC on July 13, 2017, which was wholly owned by Linzhi Lixin before the acquisition. At the time of acquisition, Ruihai Fangyuan was the exclusive operator of the access to movie and entertainment event ticketing services in Weixin Pay, a function embedded in the *Weixin* app, under a service agreement it entered into with Tencent Computer on September 14, 2017. As *Weixin* has been broadly used in the PRC, we believe we have been able to expand our public reach by operating the access and have gained advantage over other competitors via such exclusivity.

Beijing Weige Shidai is a limited liability company incorporated in the PRC on March 9, 2016, which was wholly owned by Beijing Weying Shidai before the acquisition. Beijing Weige Shidai mainly engages in movie ticketing business and show performance business which is synergetic to our business.

According to Rule 4.05A of the Listing Rules, the acquisition of Beijing Weige Shidai would have been classified at the date of application for our listing, as a major transaction under Chapter 14 of the Listing Rules. See “Financial Information — Financial Information of Beijing Weige Shidai” and “Appendix I — Accountant’s Report — Section III”.

Further Pre-IPO Investment by Linzhi Lixin

On October 25, 2017, Linzhi Lixin entered into an equity purchase agreement with Enlight Investment to acquire RMB2,088,555 of registered capital in Tianjin Maoyan Weying at a purchase price of RMB500,000,000. Concurrently, Linzhi Lixin and Tianjin Maoyan Weying, among others, entered into a capital increase agreement, pursuant to which, Linzhi Lixin agreed to subscribe for RMB2,088,555 of registered capital in Tianjin Maoyan Weying at a consideration of RMB500,000,000. Therefore, in this round of Pre-IPO Investment, Linzhi Lixin acquired approximately 4.9% equity interests, on diluted basis in Tianjin Maoyan Weying.

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The table below sets out the principal terms of the further Pre-IPO Investment by Linzhi Lixin:

Name of Pre-IPO Investor	Linzhi Lixin
Date of investment	October 25, 2017
Equity interests being acquired	4.9%
Total consideration paid	RMB1,000,000,000
Investment cost per share⁽¹⁾	RMB107.1
Premium to the Offer Price⁽²⁾	38.9%
Closing date	November 3, 2017
Basis of consideration	Based on arm's length negotiations between the relevant parties after taking into consideration the business value of Tianjin Maoyan Weying and its subsidiaries being approximately RMB20,198 million at the time of the investment, which was determined with reference to the asset value of the entities.

Notes:

- (1) The subscription price was US\$0.0001 per share. The investment cost per share was calculated based on dividing (a) total investment cost, by (b) the number of Shares subscribed.
- (2) Assuming the Offer Price is HK\$17.60 per Share, being the mid-point of the indicative Offer Price range, and after the share redesignation and share subdivision.

Use of Proceeds of and Strategic Benefits from Pre-IPO Investments

The funds raised from the Pre-IPO Investments were used for our working capital and general corporate purposes, technology research and development, marketing and sales, general and administrative expenses. As of the Latest Practicable Date, all the funds raised from the Pre-IPO Investments have been so utilized.

We are of the view that our Company can benefit from the Pre-IPO Investors' investments in the Company and their investments demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects. Our Company is also of the view that most of the Pre-IPO Investors are professional strategic investors in relevant industries which can provide us with professional advice on our Group's development and can help us achieve business synergies through enhanced business cooperation.

Special Rights of the Pre-IPO Investors

Pursuant to the shareholders' agreement of Tianjin Maoyan Weying, entered into by, among others, Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Historical ESOP Platforms, Beijing Weying Shidai and Linzhi Lixin on October 25, 2017 (the "**Domestic Shareholders**

HISTORY AND REORGANIZATION

Agreement”), each of the then shareholders of Tianjin Maoyan Weying was granted certain special rights, comprising information and inspection rights, right of first refusal, co-sale right, preemptive rights, board appointment right, redemption rights and liquidation rights. Besides, an initial public offering is subject to the approvals by (i) the shareholders of Tianjin Maoyan Weying representing more than 50% of the total voting rights, and (ii) Linzhi Lixin, Enlight Media and Enlight Investment.

All the Registered Shareholders, except for the Historical ESOP Platforms, and all the affiliated special purpose vehicles of these Registered Shareholders entered into a shareholders agreement on July 20, 2018, which was subsequently amended on July 23, 2018 and August 2, 2018 and was further amended by the Company’s shareholders’ resolutions on August 22, 2018 and January 3, 2019, respectively (the “**Offshore Shareholders Agreement**”). The Offshore Shareholders Agreement substantially reflects the rights and obligations of the shareholders contained in the Domestic Shareholders Agreement. Pursuant to the Offshore Shareholders Agreement, an initial public offering is subject to the approvals by (i) the shareholders of the Company representing more than 50% of the total voting rights, and (ii) Image Flag Investment (HK) Limited, Vibrant Wide Limited and Hong Kong Pictures International Limited. All the special rights granted to the Pre-IPO Investors, through their respective Offshore Investment Vehicles, will be automatically terminated on the consummation of an initial public offering of the Company. In addition, the redemption rights in the Offshore Shareholders Agreement cannot be exercised unless the Listing does not take place and will terminate upon Listing.

Lock-up and Public Float

Notwithstanding that it is not required by Listing Rules, each of Mr. WANG Changtian, Vibrant Wide Limited, Enlight Media, Hong Kong Pictures International Limited, Inspired Elite Investments Limited, Image Flag Investment (HK) Limited, Weying (BVI) Limited, CMC Sports Investment Limited and Rhythm Brilliant Limited, voluntarily entered into a contractual lock-up undertaking not to dispose of Shares during the first six months from the date of Listing. See “Underwriting — Undertakings by Mr. WANG Changtian, Vibrant Wide Limited, Enlight Media, Hong Kong Pictures International Limited, Inspired Elite Investments Limited, Image Flag Investment (HK) Limited, Weying (BVI) Limited, CMC Sports Investment Limited and Rhythm Brilliant Limited.”

Upon completion of the Global Offering and full conversion of the 2018 CB into our Shares (assuming the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme are not exercised), each of the affiliates of Enlight Investment, Enlight Media, Linzhi Lixin and Beijing Weying Shidai, respectively, will hold in excess of 10% of our enlarged issued share capital, while the remaining Pre-IPO Investors will each hold less than 10% of our enlarged issued share capital. Therefore, save for the Shares held by the affiliates of Enlight Investment, Enlight Media, Linzhi Lixin and Beijing Weying Shidai, respectively, the Shares held by the remaining Pre-IPO Investors will count towards the public float of our Company according to Rule 8.08 of the Listing Rules.

Information about Enlight Investment, Enlight Media, Linzhi Lixin and Beijing Weying Shidai

Enlight Investment

Enlight Investment is a PRC-incorporated company with the primary purpose of investing in media industry that is controlled by Mr. WANG Changtian. Mr. WANG Changtian has extensive experience in investment and business operation in media industry.

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Enlight Media

Enlight Media is a PRC-incorporated company listed on Shenzhen Stock Exchange. It is primarily engaged in the investment and production of entertainment content, including movie, TV series, comics and animation, video, music and literature, as well as the movie promotion and distribution services business.

Linzhi Lixin

Linzhi Lixin, incorporated under the laws of PRC, is an investment holding company. Linzhi Lixin was a designated nominee of Tencent in connection with the Pre-IPO Investments by Tencent.

Beijing Weying Shidai

Beijing Weying Shidai, incorporated under the laws of PRC, is a company focusing on investment in entertainment and media business.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

The Joint Sponsors have confirmed that the investments by the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12), the Guidance Letter on Pre-IPO Investments (HKEx-GL43-12) and the Guidance Letter on Pre-IPO Investments on Convertible Instruments (HKEx-GL44-12).

POST TRACK RECORD PERIOD ACQUISITIONS

We proposed to make the following acquisitions after the Track Record Period and up to the Latest Practicable Date:

1. **Proposed Acquisition of Huanxi Media**

On July 2, 2018, Tianjin Maoyan Weying and Huanxi Media Group Limited (“**Huanxi Media**”) entered into a cooperation agreement, pursuant to which and conditional upon satisfaction of the condition precedents therein, Tianjin Maoyan Weying (or its designated party) intended to subscribe for, and Huanxi Media intended to allot and issue, approximately 15% of its equity interest in Huanxi Media (on diluted basis). The subscription price will be the average closing price of the shares of Huanxi Media for the 30 trading days before July 2, 2018, being the date of entering into the cooperation agreement (being approximately HK\$1.95067 per share). Tianjin Maoyan Weying and Huanxi Media intended to cooperate in the following aspects: (i) Tianjin Maoyan Weying will be granted with the investment right and exclusive promotion and distribution rights to Huanxi Media’s movie and TV/Internet drama series projects and has the sole right to transfer the abovementioned rights to Tianjin Maoyan Weying’s designated associated companies; (ii) Tianjin Maoyan Weying will provide a services entrance on its website and app for Huanxi Media’s new media video content and services, while also leveraging on its resources to promote Huanxi Media’s new media video content and services; and (iii) Tianjin Maoyan Weying will make use of its Internet resources and technologies

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to facilitate the operation and expansion of Huanxi Media's new media video content and services. However, the above arrangements reflect the preliminary intention of the parties and are subject to amendment based on further negotiation by the parties thereto. Tianjin Maoyan Weying has no obligation to consummate the acquisition until all condition precedents are fulfilled or waived by Tianjin Maoyan Weying, such condition precedents include satisfactory due diligence results, entry into a definitive subscription agreement and internal and external approvals.

Huanxi Media is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1003). Huanxi Media is an investment holding company and its subsidiaries are principally engaged in media and entertainment and related businesses. We believe the proposed acquisition would enable both parties to achieve business synergy. For details of the financial information of Huanxi Media, see "Appendix II — Supplementary Financial Information."

2. Proposed Acquisition of Target Company A

We are currently negotiating with a target company (the "**Target Company A**"), which is an Independent Third Party, for potential acquisition of certain businesses and assets owned by Target Company A (the "**Proposed Target Company A Acquisition**"). Target Company A is incorporated in the PRC with limited liability. It holds an ICP License and is primarily engaged in online video business. We are currently negotiating the consideration for the Proposed Target Company A Acquisition, which will be determined with reference to the business operation status, market value of and the assets held by Target Company A. The consideration will be paid by cash from our internal working capital. It is expected that the Proposed Target Company A Acquisition would enable our Group to further develop our online entertainment services.

According to the unaudited management accounts of Target Company A, its total assets amounted to approximately RMB16 million as of December 31, 2017, and its total revenue and loss before taxation amounted to approximately RMB24 million and RMB1.7 million, respectively, for the year ended December 31, 2017.

3. Proposed Acquisition of Target Company B

We are currently negotiating with a target company (the "**Target Company B**"), which is an Independent Third Party, for potential acquisition of certain equity interests in Target Company B (the "**Proposed Target Company B Acquisition**"). Target Company B is incorporated in the PRC with limited liability. It is primarily engaged in entertainment content production business. We are currently negotiating the consideration for the Proposed Target Company B Acquisition, which will be determined with reference to the business operation status, financial status, industry influence and future development of Target Company B. The consideration will be paid from our internal working capital. It is expected that the Proposed Target Company B Acquisition would enable the Group to further develop its entertainment content production business.

According to the information provided by Target Company B, its total assets amounted to approximately RMB283 million as of December 31, 2017, and its total revenue and profit before taxation amounted to approximately RMB376 million and RMB87 million, respectively, for the year ended December 31, 2017.

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4. Proposed Acquisition of Target Company C

We are currently negotiating with a target company (the “**Target Company C**”), which is an Independent Third Party, for potential acquisition of certain equity interests in Target Company C (the “**Proposed Target Company C Acquisition**”). Target Company C is primarily engaged in movie production, movie-making and movie distribution business. We are currently negotiating the consideration for the Proposed Target Company C Acquisition, which will be determined with reference to the business operation status, financial status, industry influence and future development of Target Company C. The consideration will be paid from our internal working capital. It is expected that the Proposed Target Company C Acquisition would enable the Group to enhance its movie distribution business and further develop movie production and movie-making business.

According to the unaudited management accounts of Target Company C, its total assets amounted to approximately RMB245 million as of December 31, 2017, and its total revenue and profit before taxation amounted to approximately RMB194 million and RMB29 million, respectively, for the year ended December 31, 2017.

5. Proposed Acquisition of Target Company D

We are currently negotiating with a target company (the “**Target Company D**”), which is an Independent Third Party, for potential acquisition of certain equity interests in Target Company D (the “**Proposed Target Company D Acquisition**”). Target Company D is primarily engaged in offline entertainment business. We are currently negotiating the consideration for the Proposed Target Company D Acquisition, which will be determined with reference to the business operation status, financial status, industry influence and future development of Target Company D. The consideration will be paid from our internal working capital. It is expected that the Proposed Target Company D Acquisition would enable the Group to develop offline business in addition to our online business and thereby diversify our marketing resources.

According to the unaudited management accounts of Target Company D, its total assets amounted to approximately RMB41.3 million as of December 31, 2017, and its total revenue and loss before taxation amounted to approximately RMB4.8 million and RMB5.8 million, respectively, for the year ended December 31, 2017.

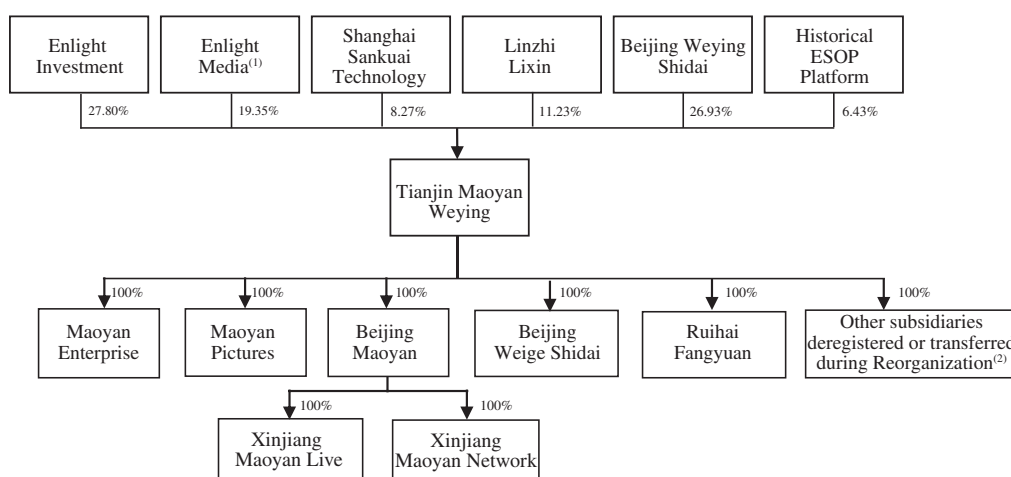
We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to the Proposed Target Company A Acquisition, the Proposed Target Company B Acquisition, the Proposed Target Company C Acquisition and the Proposed Target Company D Acquisition. See “Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in Relation to Post Track Record Period Acquisition.”

HISTORY AND REORGANIZATION

REORGANIZATION

In anticipation of our Listing, we underwent the Reorganization pursuant to which our Company became the holding company and listing vehicle of our Group.

The following chart sets out the shareholding and corporate structure of Tianjin Maoyan Weying immediately before the Reorganization:



Notes:

- (1) As at the Latest Practicable Date, Enlight Media is owned by Enlight Investment as to 44.1% of its equity interests. See “— Information about Enlight Investment, Enlight Media, Linzhi Lixin and Beijing Weying Shidai” and “Relationship with Enlight and Tencent — 1. Relationship with Enlight.”
- (2) Other subsidiaries, including Beijing Jietong Wuxian Technology Co, Ltd., Tianjin Yanyan Tianxiang Cultural Media Co, Ltd., Beijing Zetian Yinghe Technology Co., Ltd and Xinjiang Meimao Network Technology Co, Ltd., had not carried out actual business operation or had not conducted business in line with the core business of Tianjin Maoyan Weying as of the Latest Practicable Date. Therefore, such subsidiaries were deregistered or transferred to Independent Third Parties during Reorganization. See “Contractual Arrangements.”

The Reorganization involved the following steps:

1. *Incorporation of our Company and the offshore structure*

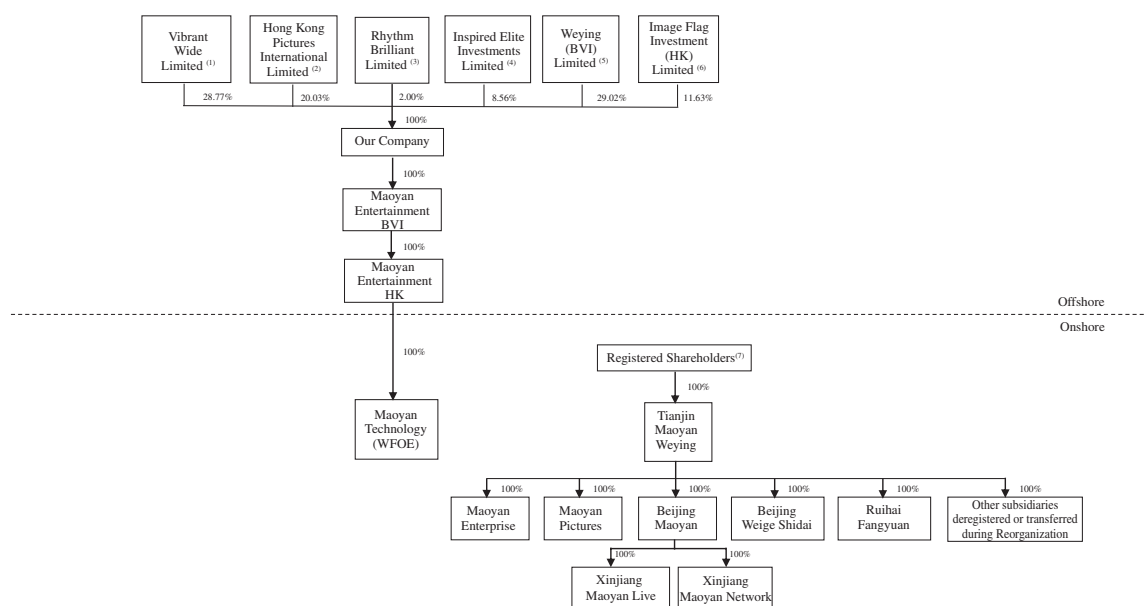
Our Company was incorporated in the Cayman Islands as an exempted company on December 8, 2017. Upon incorporation, our Company issued one ordinary share with a par value of U.S.\$0.0001 to Vistra (Cayman) Limited in exchange for U.S.\$0.0001, and Vistra (Cayman) Limited subsequently transferred such share to Vibrant Wide Limited on the same date at the same price. On December 12, 2017, Maoyan Entertainment (BVI) Ltd. (“**Maoyan Entertainment BVI**”, formerly known as Entertainment Plus Holdings Ltd.) was incorporated under the laws of British Virgin Islands as a wholly-owned subsidiary of our Company and further incorporated Maoyan Entertainment (HK) Limited (“**Maoyan Entertainment HK**”, formerly known as Entertainment Plus (Hong Kong) Limited) under the laws of Hong Kong on January 4, 2018 as its wholly-owned subsidiary, which further incorporated Maoyan Technology under the laws of PRC as its wholly-owned foreign enterprise in the PRC on February 5, 2018.

HISTORY AND REORGANIZATION

2. Issue Shares to the Offshore Investment Vehicles of Tianjin Maoyan Weying’s Shareholders to Substantially Reflect their Shareholding in Tianjin Maoyan Weying

On July 20, 2018, our Company, Tianjin Maoyan Weying and the Offshore Investment Vehicles of Tianjin Maoyan Weying’s Shareholders (including Vibrant Wide Limited, a wholly-owned subsidiary of Mr. WANG Changtian, Hong Kong Pictures International Limited, a wholly-owned subsidiary of Enlight Media, Rhythm Brilliant Limited, a wholly-owned subsidiary of Mr. ZHENG Zhihao, Inspired Elite Investments Limited, a wholly-owned subsidiary of Meituan Dianping, Weying (BVI) Limited, an indirectly wholly-owned subsidiary of Beijing Weying Shidai and Image Flag Investment (HK) Limited, a wholly-owned subsidiary of Tencent, collectively, the “**Offshore Shareholders**”, and Tianjin Maoyan Weying’s Shareholders collectively, the “**Registered Shareholders**”, for further details of the Registered Shareholders, see “— Material Shareholding Change and Pre-IPO Investments”), among others, entered into the share purchase agreement (the “**July 20, 2018 Share Purchase Agreement**”), pursuant to which, the Offshore Shareholders agreed to subscribe for certain number of shares of our Company, as the case may be, to substantially reflect the rights, obligations and shareholdings in Tianjin Maoyan Weying held by their affiliates, i.e. the Registered Shareholders, and their affiliates’ rights reflected in the Domestic Shareholders Agreement.

The following chart sets out the shareholding and corporate structure of our Company immediately after completion of the above steps:



Notes:

- (1) Vibrant Wide Limited was incorporated in British Virgin Islands and wholly-owned by Mr. WANG Changtian.
- (2) Hong Kong Pictures International Limited was incorporated in Hong Kong and a wholly-owned subsidiary of Enlight Media. See “Relationship with Enlight and Tencent”.
- (3) Rhythm Brilliant Limited was incorporated in British Virgin Islands and wholly-owned by Mr. ZHENG Zhihao.
- (4) Inspired Elite Investments Limited was in incorporated in British Virgin Islands and wholly-owned by Meituan Dianping.
- (5) Weying (BVI) Limited was incorporated in British Virgin Islands and wholly-owned by Beijing Weying Shidai.

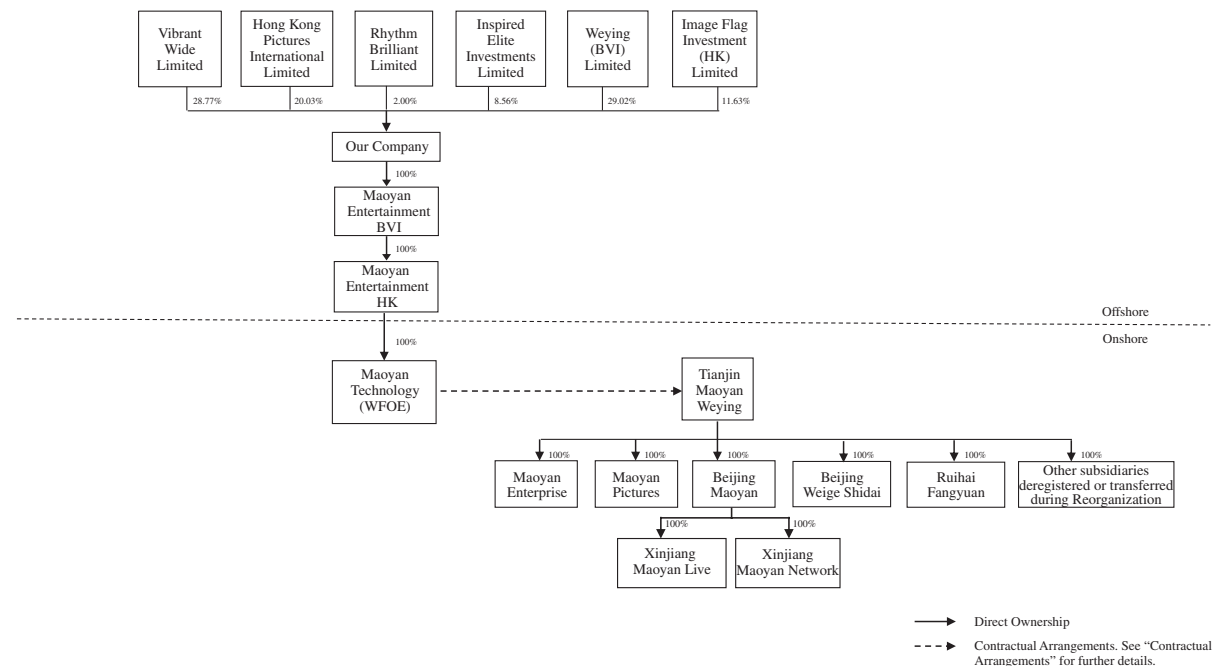
HISTORY AND REORGANIZATION

- (6) Image Flag Investment (HK) Limited was incorporated in Hong Kong and is wholly-owned by Tencent.
- (7) Each Offshore Shareholder’s shareholding percentage in our Company was substantially the same as the Registered Shareholders’ shareholding percentage in Tianjin Maoyan Weying except as set out below:
- (i) instead of issuing equity securities to the offshore affiliate(s) of the Historical ESOP Platforms, the Offshore Shareholders agreed to (a) issue shares which had already granted to Mr. ZHENG Zhihao to Rhythm Brilliant Limited, the wholly-owned subsidiary of Mr. ZHENG Zhihao, directly; and (b) reserve, but not issue, certain number of shares of our Company for the employee incentive scheme to reflect the equity interests the Historical ESOP Platforms held in Tianjin Maoyan Weying; and
 - (ii) the number of equity interests of our Company held by Weying (BVI) Limited were adjusted pursuant to the September 21, 2017 Capital Increase Agreement (see “— Material Shareholding Change and Pre-IPO Investments — Pre-IPO Investment by Linzhi Lixin and Acquisition of Beijing Weige Shidai”).

3. Enter into Contractual Arrangements

On July 20, 2018, being the closing date of the abovementioned July 20, 2018 Share Purchase Agreement, Maoyan Technology entered into the Contractual Arrangements (which were further amended and restated in August 2018) with Tianjin Maoyan Weying and its Registered Shareholders, which allows the Company to exercise control over the business operation of Tianjin Maoyan Weying and enjoy all the economic interests derived therefrom. See “Contractual Arrangements.”

The following chart sets out the shareholding and corporate structure of our Company immediately after the adoption of the Contractual Arrangements:



4. Flip out of Certain Weying Shareholders from Weying

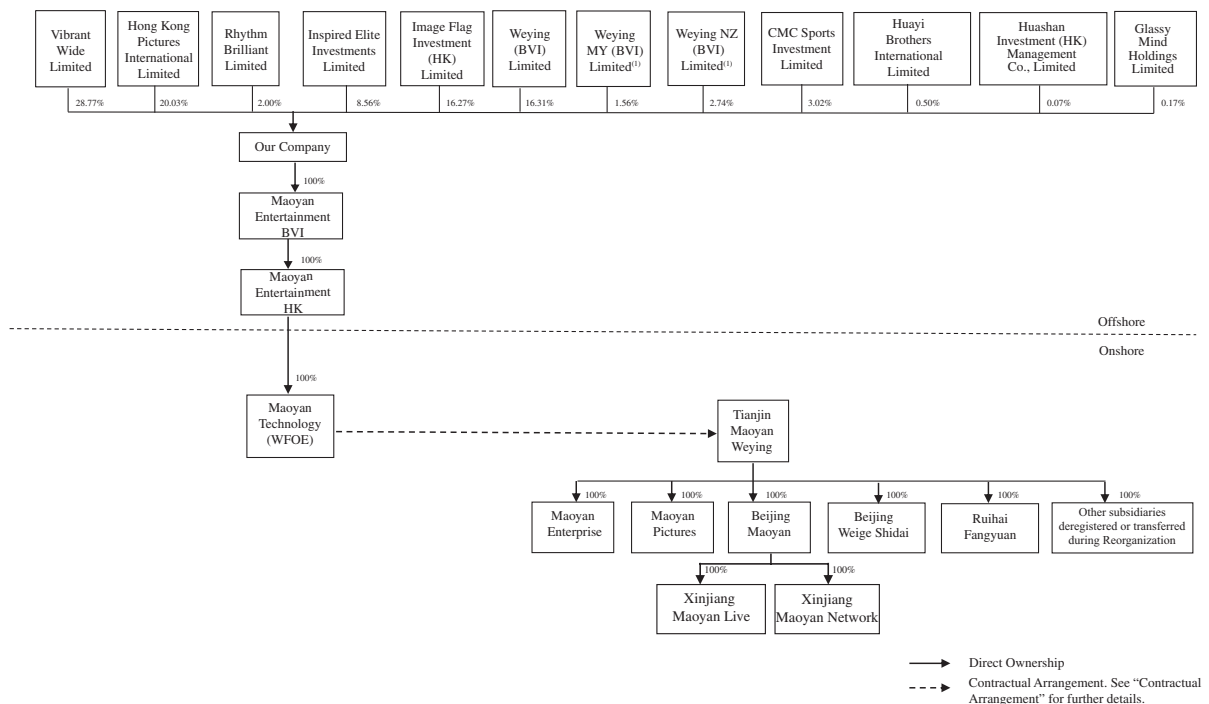
On July 23, 2018, our Company, Tianjin Maoyan Weying, Weying (BVI) Limited, among others, entered into a share repurchase agreement, pursuant to which our Company agreed to repurchase a certain number of our outstanding shares from Weying (BVI) Limited. On the same day, our Company, Tianjin Maoyan Weying, several affiliates of Weying (BVI) Limited’s shareholders, namely, Image

HISTORY AND REORGANIZATION

Flag Investment (HK) Limited, CMC Sports Investment Limited, Huayi Brothers International Limited, Huashan Investment (HK) Management Co., Limited, Glassy Mind Holdings Limited, Lim Entertainment (BVI) Limited and Dream Screen (BVI) Limited (“**Certain Weying Shareholders**”), among others, entered into a share purchase agreement (the “**July 23, 2018 Share Purchase Agreement**”), pursuant to which Certain Weying Shareholders agreed to purchase the exact same number of shares our Company repurchased from Weying (BVI) Limited that day, to the effect that Certain Weying Shareholders held the shares of our Company directly.

Weying MY (BVI) Limited was incorporated in British Virgin Islands and is a wholly-owned subsidiary of Weying (BVI) Limited. The main business of Weying MY (BVI) Limited is investment in entertainment business. Weying NZ (BVI) Limited was incorporated in British Virgin Islands and is a wholly-owned subsidiary of Weying (BVI) Limited. The main business of Weying NZ (BVI) Limited is investment in entertainment business. CMC Sports Investment Limited was incorporated in Cayman Islands and is an Independent Third Party. The main business of CMC Sports Investment Limited is investment in sports and entertainment business. Huayi Brothers International Limited was incorporated in Hong Kong and is an Independent Third Party. The main business of Huayi Brothers International Limited is investment in entertainment business. Huashan Investment (HK) Management CO., Limited was incorporated in Hong Kong, and is an Independent Third Party. The main business of Huashan Investment (HK) Management CO., Limited is investment in entertainment and other business. Glassy Mind Holdings Limited was incorporated in British Virgin Islands, and is an Independent Third Party. The main business of Glassy Mind Holdings Limited is investment in sports and entertainment business.

The following chart sets out the shareholding and corporate structure of our Company immediately after completion of the transactions under the July 23, 2018 Share Purchase Agreement:



HISTORY AND REORGANIZATION

Note:

- (1) The original signing party of the July 23, 2018 Share Purchase Agreement and shareholders of our Company, among others, were Lim Entertainment (BVI) Limited and Dream Screen (BVI) Limited, both of which are special purpose vehicles of Mr. Lin Ning. On August 2, 2018, our Company further repurchase such shares and issued the same number of shares to Weying MY (BVI) Limited and Weying NZ (BVI) Limited.

5. *Establishment of Employee Incentive Schemes*

In order to provide incentives and rewards to directors, senior management and employees of the Group and other eligible individuals and entities, the Company adopted a series of employee incentive schemes, including Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, RSU Scheme and Restricted Share Agreement⁽¹⁾. The Pre-IPO Share Option Scheme is the re-adoption of the employee share incentive scheme adopted by Tianjin Maoyan Weying on November 8, 2016. See “Appendix VI — Statutory and General Information — D. Employee Incentive Scheme.”

Note:

- (1): Subject to the Restricted Share Agreement, a total of 3,855,445 Class A Ordinary Shares was issued to Rhythm Brilliant Limited, a wholly owned subsidiary of Mr. ZHENG Zhihao on July 20, 2018. See “— Reorganization — Incorporation of our Company and the offshore structure.”

ISSUANCE OF 2018 CB

On July 24, 2018, the Company and Cheshire Investments Fund entered into a convertible bond subscription agreement which was further amended on July 30, 2018 (the “**2018 CB Subscription Agreement**”), pursuant to which, the Company agreed to issue, and Cheshire Investments Fund agreed to subscribe for a convertible bond in the principal amount of US\$50,955,200 (the “**2018 CB**”). Upon the Global Offering, the principal amount of the 2018 CB shall be mandatorily and automatically converted into our Shares (the “**Conversion Shares**”).

The table below sets out the principal terms of the 2018 CB:

Name of 2018 CB Investor	Cheshire Investments Fund
Principal amount of the 2018 CB	US\$50,955,200
Issuance date of the 2018 CB	July 30, 2018
Maturity date of the 2018 CB	July 28, 2019
Interest rate	five per cent. (5%) per annum
Conversion date	Listing Date
Conversion amount	the principal amount and the accrued but unpaid interest of the 2018 CB
Quantity of Conversion Shares	dividing the principal amount and the accrued but unpaid interest of the 2018 CB by the conversion price

HISTORY AND REORGANIZATION

Name of 2018 CB Investor	Cheshire Investment Fund
Conversion price	Offer Price
Closing date	July 30, 2018
Basis of consideration	Based on arm's length negotiations between the relevant parties after taking into consideration the business value of the Group at the time of the investment.

Use of Proceeds of and Strategic Benefit from the Issuance of 2018 CB

The funds raised from the issuance of 2018 CB will be used for our working capital and general corporate purposes, technology research and development, marketing and sales, general and administrative expenses. As of the Latest Practicable Date, the funds raised from the issuance of 2018 CB has not been fully utilized.

We are of the view that our Company can benefit from the issuance of 2018 CB by receiving additional general working capital, and the investment from Cheshire Investments Fund demonstrates its confidence in our Group's operation and serves as an endorsement of our Company's strengths and prospects.

Special Rights of Cheshire Investments Fund

The terms under the 2018 CB Subscription Agreement did not grant any special right to Cheshire Investments Fund.

Lock-up and Public Float

The terms under the 2018 CB Subscription Agreement did not impose any lock up obligation over the Conversion Shares.

Upon completion of the Global Offering and full conversion of 2018 CB into our Shares (assuming the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme are not exercised), Cheshire Investments Fund will hold less than 10% of our enlarged issued share capital. Therefore, the Shares into which the 2018 CB are converted to be held by Cheshire Investments Fund will count towards the public float of our Company according to Rule 8.08 of the Listing Rules.

Information about Cheshire Investments Fund

Cheshire Investments Fund is a Cayman Islands exempted limited partnership, managed by Cheshire Investments GP Limited, as general partner of the partnership. Cheshire Investments Fund

HISTORY AND REORGANIZATION

seeks long term capital appreciation primarily through privately-negotiated equity and equity-related investments by focusing on privately owned enterprises in the media and entertainment sectors. Cheshire Investments GP Limited was incorporated in the Cayman Islands by 3W Partners Holding Limited, an independent fund manager which currently manages approximately US\$450 million of assets with focus primarily in privately-owned companies with growth potential.

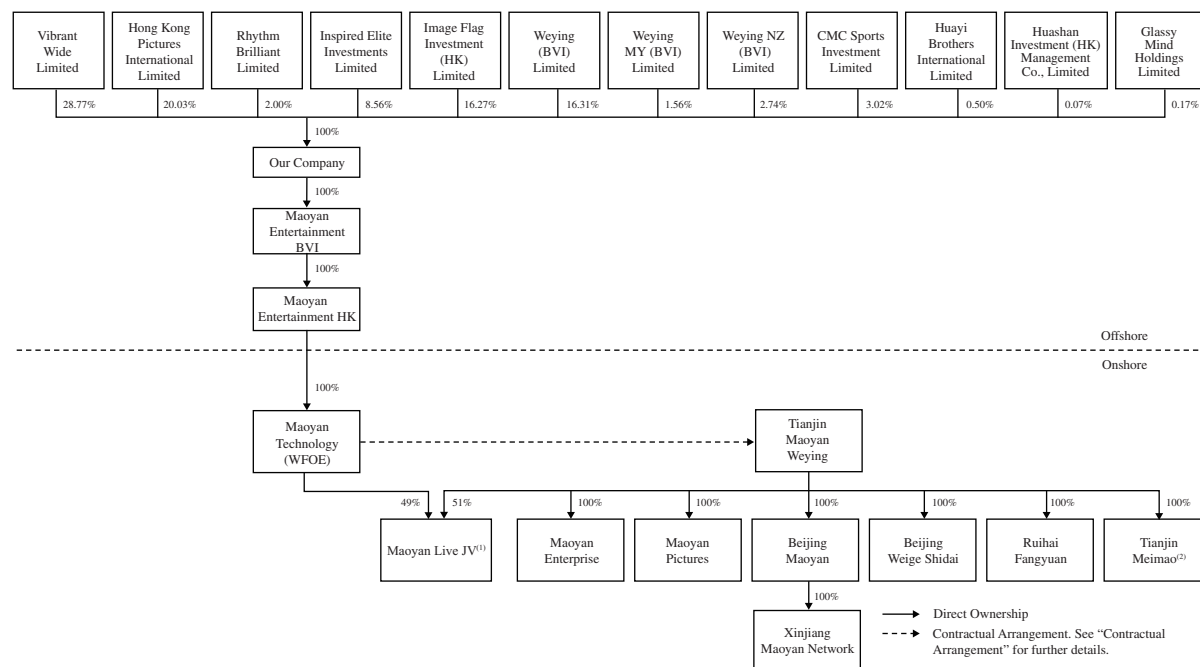
Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors have confirmed that the issuance of 2018 CB is in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12), the Guidance Letter on Pre-IPO Investments (HKEx-GL43-12) and the Guidance Letter on Pre-IPO Investments on Convertible Instruments (HKEx-GL44-12).

CORPORATE AND SHAREHOLDING STRUCTURE

The following charts illustrate our corporate and shareholding structure (1) immediately after completion of Reorganization but prior to completion of the Global Offering and (2) immediately after the completion of the Global Offering (assuming that the Over-allotment Option has not been exercised and without taking into account of Shares which may be issued upon the exercise of the options which have been granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and the RSU Scheme)

(1) After completion of the Reorganization but prior to the completion of the Global Offering

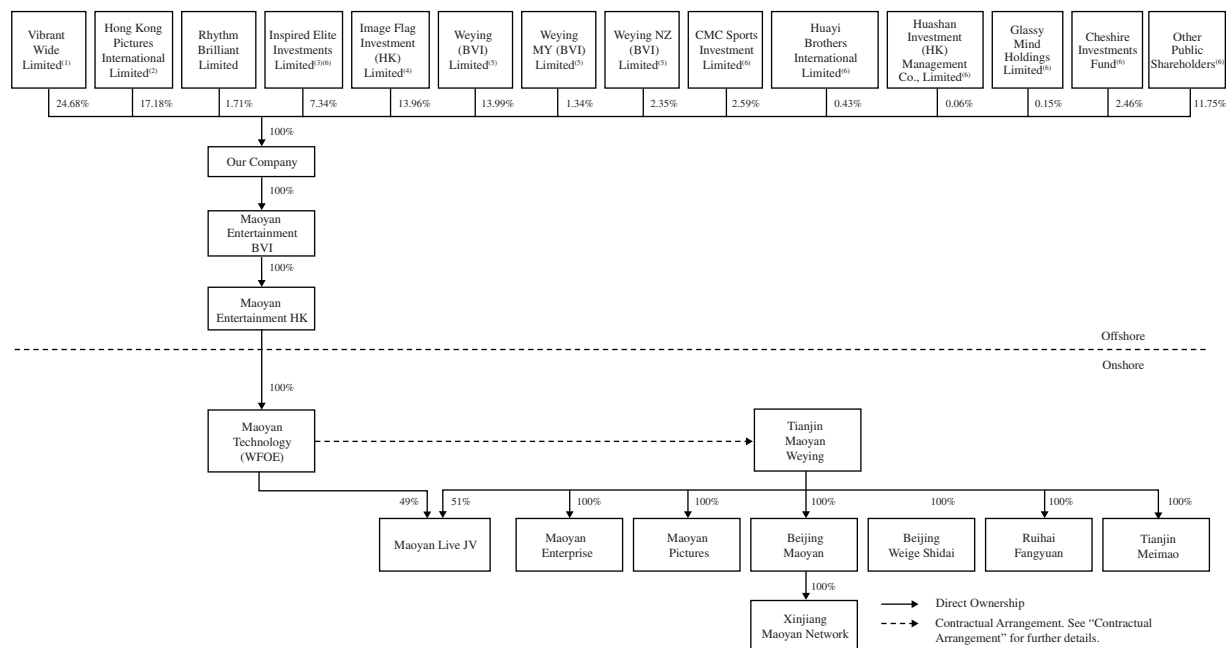


Note:

- (1) Maoyan Live JV was established on June 19, 2018 to assume the business of Xinjiang Maoyan Live. As of the Latest Practicable Date, Xinjiang Maoyan Live was in the deregistration process.

HISTORY AND REORGANIZATION

- (2) Tianjin Maoyan Weying established Tianjin Meimao as its wholly-owned subsidiary under the laws of PRC on November 22, 2018. See “Contractual Arrangement — Our Contractual Arrangements — Overview.”
- (2) Immediately after the completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on the low end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme.)

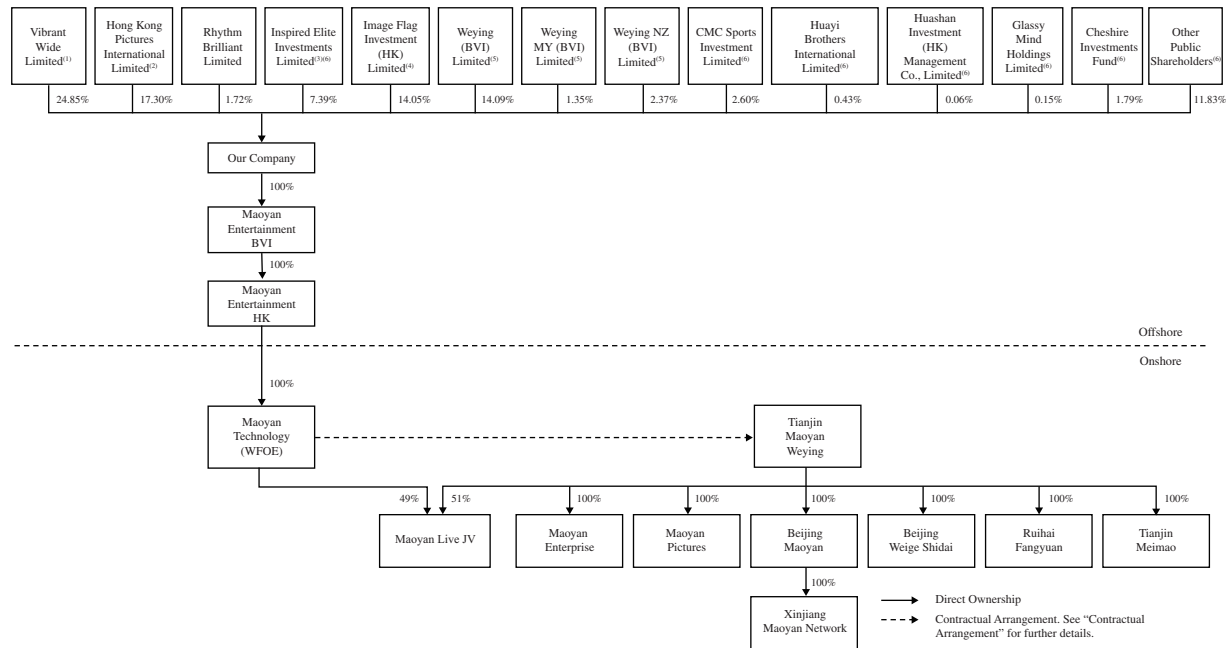


Notes:

- (1) Vibrant Wide Limited is wholly-owned by Mr. WANG Changtian. In 2017, Enlight Investment pledged its equity interest in Tianjin Maoyan Weying in favour of Beijing Branch of China Merchant Bank Co. Ltd. and China Resources SZITIC Trust Co., Ltd. (together, the “Pledges”) to secure a loan (the “2017 Pledge”). The 2017 Pledge has been released during the Reorganization. As of the Latest Practicable Date, all of our Shares held by our Shareholders are free of encumbrance. In consideration of the release of the 2017 Pledge, Mr. WANG Changtian and Enlight Investment agreed on August 2, 2018, to pledge the Shares that will be owned by Mr. WANG Changtian through Vibrant Wide Limited to the Pledges within one month after our Listing (the “2018 Pledge”). The number of Shares to be pledged will be 19.73% multiplied by RMB9 billion, and divided by the lower of (a) the average price of our Shares during the first 20 days after our Listing; and (b) the closing price of our Shares on the day prior to the 2018 Pledge.
- (2) Hong Kong Pictures International Limited is a wholly-owned subsidiary of Enlight Media. See “Relationship with Enlight and Tencent”.
- (3) Inspired Elite Investments Limited is a wholly-owned subsidiary of Meituan Dianping.
- (4) Image Flag Investment (HK) Limited is a wholly-owned subsidiary of Tencent.
- (5) Weying (BVI) Limited is an indirectly wholly-owned subsidiary of Beijing Weying Shidai, and Weying MY (BVI) Limited and Weying NZ (BVI) Limited are wholly-owned subsidiaries of Weying (BVI) Limited.
- (6) Counted as public float.

HISTORY AND REORGANIZATION

- (3) Immediately after the completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on the high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme.)



Notes:

- (1) Vibrant Wide Limited is wholly-owned by Mr. WANG Changtian. In 2017, Enlight Investment pledged its equity interest in Tianjin Maoyan Weying in favour of Beijing Branch of China Merchant Bank Co. Ltd. and China Resources SZITIC Trust Co., Ltd. (together, the "Pledges") to secure a loan (the "2017 Pledge"). The 2017 Pledge has been released during the Reorganization. As of the Latest Practicable Date, all of our Shares held by our Shareholders are free of encumbrance. In consideration of the release of the 2017 Pledge, Mr. WANG Changtian and Enlight Investment agreed on August 2, 2018, to pledge the Shares that will be owned by Mr. WANG Changtian through Vibrant Wide Limited to the Pledges within one month after our Listing (the "2018 Pledge"). The number of Shares to be pledged will be 19.73% multiplied by RMB9 billion, and divided by the lower of (a) the average price of our Shares during the first 20 days after our Listing; and (b) the closing price of our Shares on the day prior to the 2018 Pledge.
- (2) Hong Kong Pictures International Limited is a wholly-owned subsidiary of Enlight Media. See "Relationship with Enlight and Tencent".
- (3) Inspired Elite Investments Limited is a wholly-owned subsidiary of Meituan Dianping.
- (4) Image Flag Investment (HK) Limited is a wholly-owned subsidiary of Tencent.
- (5) Weying (BVI) Limited is an indirectly wholly-owned subsidiary of Beijing Weying Shidai, and Weying MY (BVI) Limited and Weying NZ (BVI) Limited are wholly-owned subsidiaries of Weying (BVI) Limited.
- (6) Counted as public float.

HISTORY AND REORGANIZATION

PRC REGULATORY REQUIREMENTS

M&A Rules

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)(the “**M&A Rules**”) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (1) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (2) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (3) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (4) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares or equity interest in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisor is of the opinion that prior CSRC approval for this offering is not required because (i) our wholly foreign-owned PRC subsidiary was not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company, and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules. However, our PRC Legal Advisor further advises that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

SAFE registration

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外融資及返程投資外匯管理有關問題的通知》)(the “**SAFE Circular 37**”), promulgated by SAFE and which became effective on July 4, 2014, and which replaced the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》)(the “**SAFE Circular 75**”), (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests

HISTORY AND REORGANIZATION

in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Circular 13**”), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisor, Mr. WANG Changtian, who is known to us as being a PRC citizen, has completed his registration in compliance with the SAFE Circular 37.

BUSINESS

OVERVIEW

Our mission is to make it easy to create, deliver and enjoy great entertainment.

We seek to achieve our mission by building a vibrant ecosystem around our integrated platform which connects and empowers consumers and the entertainment industry. We strive to leverage the power of the Internet to enable consumers to easily discover and enjoy quality entertainment. We aspire to transform content creation, promotion and distribution with the Internet and enable our business partners in the entertainment industry to enhance their operations and performance.

We are a leading platform providing innovative Internet-empowered entertainment services in China, offering online entertainment ticketing services, entertainment content services, e-commerce services and advertising services and others.

- ***Leader in online entertainment ticketing services.*** We were the largest online movie ticketing service provider in China with a market share of 61.3% by GMV of movie tickets sold in the nine months ended September 30, 2018, according to the iResearch Report. We also offer online entertainment event ticketing services and were the second largest player by GMV in the nine months ended September 30, 2018, according to the iResearch Report.
- ***Leader in entertainment content services.*** We were the first to provide Internet-based promotion and distribution services for movies in China and have since expanded such services to a broad range of entertainment content. In the nine months ended September 30, 2018, we provided entertainment content services for movies that contributed to over 90% of the gross box office in China. We started to act as a lead distributor of movies in 2016 and rapidly became the largest lead distributor of domestic movies in terms of China gross box office in the 21 months ended September 30, 2018, according to the iResearch Report.
- ***Leading online community of entertainment audience and professionals.*** We were the largest online movie community in China by average MAU in the nine months ended September 30, 2018, according to the iResearch Report. Our *Maoyan Pro* app was the most popular professional app for the entertainment industry in China by average MAU in the same period, according to the iResearch Report.

How We Create Value for Consumers. We enable consumers to easily enjoy a variety of entertainment content and services. Our MAU averaged 134.6 million in the nine months ended September 30, 2018.

- ***Accessible anytime, anywhere.*** Our services are an important part of consumers' daily lives. Consumers can access our services through our *Maoyan* app and *Gewara* app, as well as our self-operated channels on partnered platforms. Through our strategic partnership with Tencent, we are one of the few platforms embedded in Weixin Pay and QQ Wallet portals and the only one for movies, live performances and sports. Through our strategic partnership with Meituan Dianping, we are the exclusive business partner in entertainment ticketing and services on *Meituan* app and *Dianping* app.

BUSINESS

- ***Engaging content discovery.*** Our platform enables consumers to discover a wealth of entertainment information and services. For example, consumers can seamlessly enjoy entertainment news, movie trailers and exclusive video interviews, with content creators. Movie trailers on our platform had generated 2.2 billion views as of September 30, 2018.
- ***Informed decision-making.*** Based on our large user base and data, we have established a robust user-generated rating and commentary system. We believe our ratings and commentaries are widely recognized by the public as a credible source that enables consumers to make informed consumption decisions.
- ***One-stop entertainment consumption.*** We offer comprehensive products and services for entertainment consumption to enhance user engagement and experience, including entertainment ticketing, IP-derivative merchandise and in-venue food and beverages preordering.

How We Create Value for the Entertainment Industry. We deliver highly valuable services to industry participants, such as artists, producers, distributors, cinemas and theaters, enabling them to optimize commercial results and operating efficiency.

- ***Data insights.*** Our large and engaged user base provides unique and highly valuable user data insights combining users' consumption behaviors and entertainment preferences. Leveraging our big data capabilities and advanced algorithm, we have developed and are constantly refining our insights into the entertainment industry. We introduced industry statistics such as the *Hype!* index, providing valuable tools for industry participants to gauge market reception prior to release. Our data insights allow cinemas and theaters to adopt dynamic scheduling and pricing strategies to maximize operational results and enable producers and distributors to maximize audience impact.
- ***Digitize and upgrade the industry.*** We offer a suite of Internet-empowered tools and services to entertainment content providers and distributors, including Software-as-a-Service (SaaS) solutions, highly relevant analytics and insights, online marketing and transaction processing services, helping them digitize their daily operations and achieve commercial success. We launched our *Maoyan Pro* app in 2015, which was the first mobile app in China designed for the community of entertainment professionals. We have enhanced information transparency, fostered connectivity, facilitated the sharing of resources and improved the industry's productivity and efficiency.
- ***Integration of online and offline resources.*** Our unique entertainment content services capabilities integrate our big data assets, media coverage and partnership resources. The integration of such online and offline resources is supported by our robust technology infrastructure and on-the-ground business development force with extensive experience in both Internet and entertainment industries. Such capabilities uniquely position us to better identify, capture and serve our business partners' needs.

BUSINESS

Our platform enjoys powerful network effects. The rich entertainment content and services on our platform attract more consumers, leading to more transactions, interactions and feedbacks. Our valuable data insights not only enable consumers to make better decisions and enjoy better entertainment, but also empower the entertainment industry to create better content and deliver better services to consumers, forming a virtuous cycle. As a result, we have become the partner of choice to the entertainment industry. These network effects shape our ability to capture commercial opportunities arising from our ecosystem and expand to attractive business areas along the entertainment value chain and across entertainment formats, further enhancing our growth potential.

We have developed a diversified business model to capture multiple opportunities. We have also achieved significant growth over the Track Record Period. Our revenue grew from RMB596.7 million in 2015 to RMB1,377.5 million in 2016 and further to RMB2,548.0 million in 2017, representing a CAGR of 106.6%, and increased by 99.6% from RMB1,534.6 million in the nine months ended September 30, 2017 to RMB3,062.3 million in the nine months ended September 30, 2018.

OUR STRENGTHS

Leading platform of Internet-empowered entertainment services

We leverage innovative technology and data science to transform the entertainment experience, from content production, promotion and distribution, to discovery, decision-making and delivery. We have grown from an online movie ticketing service provider to a leading integrated platform in the entertainment industry empowering players in content production, distribution and promotion. Our robust technology and operation expertise allowed us to expand our addressable market beyond movie services to adjacent entertainment events services.

We were the largest online movie ticketing service provider in China by total GMV of movie tickets sold in the nine months ended September 30, 2018, according to the iResearch Report. We were the largest lead distributor of domestic movies in terms of China gross box office in the 21 months ended September 30, 2018, according to the iResearch Report. We also offer online entertainment event ticketing services and were the second largest player in the nine months ended September 30, 2018 by total GMV of tickets sold, according to the iResearch Report.

We have been able to establish a preeminent position in entertainment services through continual innovation. We were the first to provide online movie ticket pre-sale in China and were among the first online platforms in China to introduce online cinema seat selection, offering our users greater flexibility and convenience. We were also the first to run Internet-based promotion for movies in China, providing our business partners with an impactful and effective way of reaching their potential audience. In addition, we launched our *Maoyan Pro* app in December 2015, bringing innovative data and analytics to directors, actors and other entertainment professionals, across the entertainment industry value chain to optimize creative, financial and promotional decision-making in content production. Our multi-dimensional, business-to-consumer and business-to-business model yields strategic advantages for data applications that reinforce our value propositions across the value chain.

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Extensive user coverage and comprehensive user engagement

We have a well-established network to reach, convert and engage users. Through our own products and self-operated channels via partnerships with leading Internet players, our average MAU reached 134.6 million in the nine months ended September 30, 2018.

Our mobile apps, *Maoyan* and *Gewara*, allow us to reach consumers across a broad spectrum of geographies, demographics and service needs. Consumers can also access our services on our partnered platforms, including through our exclusive entry portals on Weixin Pay, QQ Wallet, *Meituan* app and *Dianping* app, as well as our Maoyan Mini Program on *Weixin*. Our entry portals on Tencent's and Meituan Dianping's platforms not only help direct their users to our platform to fulfill their entertainment needs, but also allow us to better understand the profiles of our users. The strong social and lifestyle service elements of *Weixin*, *QQ*, *Meituan* and *Dianping* apps are compatible with our offerings and help enhance our user engagement. As we move to content distribution and production, we provide high-quality content associated with the Maoyan brand, which further attracts new users to and increases user stickiness on our platform.

To enhance user experience, we provide a wide array of valuable services which enhance user experience such as online seat selection, ticket pre-sale and IP-derivative merchandise. We offer a variety of interactive features to drive user participation prior to and after content release, such as our *Hype!* function (which indicates users' anticipation level for an upcoming movie) and post-movie reviews, through which we develop dynamic and up-to-date user insights. We were the largest online movie community in China by average MAU for the nine months ended September 30, 2018 and had accumulated 158.0 million movie ratings and 70.6 million commentaries as of September 30, 2018. Our ratings and commentaries are widely recognized by the public as a credible source that enable consumers to make informed consumption decisions.

Highly valuable services empowering the entertainment value chain

Our profound data insights, Internet-empowered tools, broad media coverage and extensive offline resources allow us to empower cinemas, event promoters, venue operators, content producers, distributors and entertainment professionals to optimize their operating efficiency and performance. Through our significant transaction data, we can gain a deep understanding of consumer behavior and preferences. At our Maoyan Research Institute, we apply artificial intelligence and big data analytics to generate valuable insights for our business partners.

For cinemas, event promoters and venue operators, our proprietary statistics and forecasts enable dynamic scheduling and pricing to optimize performance by promoting the most relevant and popular content. In addition, through our SaaS solutions, cinemas, event promoters and venue operators are able to enjoy effective online marketing and transaction processing services.

For content producers and distributors, our scalable entertainment content services platform offers a wide array of valuable data and services to maximize audience impact. Producers can leverage

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our user and industry insights to focus on genres and content which will best resonate with their audience. Our innovative services, such as the *Hype!* index and ticket pre-sale, allow content distributors to gauge market reception prior to release and focus on the appropriate promotion channels with the optimal timing to reach viewers who are most likely to react favorably.

We also foster discovery and connectivity within the professional entertainment community through our *Maoyan Pro* app, benefiting directors, actors and other entertainment professionals. According to the iResearch Report, *Maoyan Pro* was the most popular professional app for the entertainment industry in China by average MAU for the nine months ended September 30, 2018.

Sophisticated content promotion and distribution capabilities

We are a leading entertainment content promotion and distribution platform in China. Our extensive online user reach and scale, our profound user insights and our considerable offline resources in China allow us to employ creative, diversified and impactful promotion and distribution strategies to maximize user coverage. Our capabilities in promotion and distribution cover a broad range of entertainment content formats including movies, TV series, web series, web movies, variety shows and entertainment events.

In terms of our capabilities in movie promotion and distribution, we are able to enhance the performance of new movie releases. We leverage our optimal promotion channels and extensive partnership covering offline distribution and media resources to build anticipation among potential audience. For example, through our nationwide campus network, we are able to help producers design targeted promotional fan events aimed at college students and other fan-based activities for upcoming movie releases.

Our advantages in promotion and distribution are particularly important in China, where entertainment content production is highly fragmented and content producers often seek expertise in effective and impactful promotional campaigns. We commenced acting as a lead distributor of movies in 2016 and quickly became the largest lead distributor for domestic movies in terms of China gross box office for the 21 months ended September 30, 2018, according to the iResearch Report. *Never Say Die* (羞羞的鐵拳), which we co-produced and led distribution for, achieved a gross box office of RMB2.2 billion, topped the China market for 20 consecutive days, and obtained a nationwide cinema screen market share of over 30% for two consecutive weeks.

Robust technology infrastructure and operational excellence

Our highly scalable and reliable technology infrastructure and artificial intelligence capabilities allow us to handle a large amount of real-time data and provide valuable insights to our business partners. We update our box office statistics every second and monitor the online audience on China's seven major video platforms on an hourly basis. Our big data analytics enable us to generate targeted promotion strategy, scheduling analysis and performance forecasts based on extensive user behavior data and profiling. We have also developed an algorithm for big data-driven box office forecasting.

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Operationally, we have a strong on-the-ground presence across China, with a business development force of approximately 300 consultants, strengthening our connections with over 8,800 cinemas, over 2,000 event promoters and venue operators and offline media. Our teams provide comprehensive consultancy services to such business partners covering strategies on ticketing, scheduling, pricing, promotion and advertising. Their know-how and local connections allow us to identify and meet varying needs. We leverage relevant and timely local intelligence to complement our online capabilities to provide integrated online and offline solutions and add value to entertainment industry participants further up the value chain.

Unique position to expand along value chain and across entertainment services

We are well-positioned to expand along the movie industry value chain and into new entertainment sectors based on our capabilities and resources, such as our extensive user coverage, brand recognition, data and technology, industry insights and operation expertise. We have become an integrated platform with unique analytics, services and industry resources offering valuable services to our partners.

The above attributes have allowed us to expand vertically to provide entertainment content services, including content promotion and distribution, where we link user data with the seamless implementation of well-tailored multichannel promotional strategies. Through the credibility and experience we have gained in promotion and distribution, we develop further insights into the upstream content production/investment process, enabling us to select and participate in content production/investment that we believe have the potential for commercial success.

We have accumulated considerable capabilities in the movie sector and have been able to apply such expertise to adjacent sectors. We have already achieved a demonstrable track record of successfully branching into other verticals such as live music performance, sports events, TV series and variety shows.

Visionary and experienced management team with distinctive corporate culture

Our management team is highly experienced and has been continually innovating service offerings to consumers and our business partners. Our Chief Executive Officer, Mr. ZHENG Zhihao, brings to us a long-term strategic vision and over 20 years of combined experience in the Internet and entertainment industries, having held significant positions in leading corporations such as Meituan Dianping, Tencent, Microsoft and Intel. Additionally, our core executive team also possesses rich management experience from companies such as Tencent, JD.com, Microsoft, Baidu and Youku Tudou.

As a company with deep roots in technology, entertainment and on-the-ground business development, our corporate culture represents a confluence of entrepreneurship, creativity and strong execution capabilities. Our dynamic corporate culture is driven by a firm commitment to integrity and efficiency and allows us to constantly evolve and adapt in the fast-changing Internet and entertainment arena.

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OUR STRATEGIES

To achieve our mission and further solidify our leadership position, we intend to pursue the following strategies:

Continue to expand our user base and consumer mindshare

We plan to broaden our user base and capture a larger consumer entertainment mindshare by leveraging our existing core competencies. We aim to grow our user base by offering more innovative service and product categories in our existing and new adjacent verticals.

To further increase our user engagement and mindshare, we intend to enhance our media coverage to make us the leading destination to discover quality content and entertainment trends. For example, we have already established a sizeable follower base for the news and trailers on our platform and our news content on our Weixin Official Account.

Strengthen our entertainment content services capabilities

We intend to further solidify our position as a leading promotion and distribution platform of entertainment content in China. We aim to further expand our network of business partners and strengthen the understanding of user behavior and preferences. We will continue to enhance our capabilities in utilizing data insights to optimize distribution strategy and tailor content promotion to targeted demographics of our partners. We will apply our content capabilities across various content verticals.

We will identify and assess opportunities for content creation by leveraging our status as a leading entertainment content services platform, access to a wide array of content, coverage of professional community, proprietary database on our *Maoyan Pro* app and capability of integrating these resources. Additionally, we will strategically partner with selected studios, directors and actors to deepen our involvement in content creation.

Further develop our technological capabilities

We aim to further develop and apply data science and artificial intelligence technology to effectively utilize the massive amount of user data on our platform, with a view to enhancing value propositions to our users and business partners throughout our value chain. We will continue to recruit industry experts, including top-notch data scientists and experienced engineers, to strengthen our talent pool. The key areas where we intend to apply our big data capabilities include content promotion and distribution, analytics and SaaS solutions to business partners along our value chain, as well as content recommendations to our platform users.

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Selectively pursue strategic alliances, investments and acquisitions

To complement our organic growth, we will continue to selectively pursue strategic alliances, investments and acquisitions that can solidify our leadership position in online entertainment ticketing and entertainment content services, and help us strengthen our capabilities in content creation and further expand across entertainment services. In addition, we will continue to invest in technology infrastructure solutions that can further improve user experience and our services to the entertainment value chain.

OUR SERVICES

Building upon our integrated technology systems, analytical insights into users' behaviors and preferences and deep understanding of the entertainment industry, we operate an industry-leading Internet-empowered entertainment service business providing:

- **Online Entertainment Ticketing Services.** We offer online ticketing services for comprehensive entertainment formats, such as movies and entertainment events;
- **Entertainment Content Services.** We operate an integrated platform to provide entertainment content services, ranging from distribution, promotion to production, for various entertainment formats including movies, TV series, web series, web movies, variety shows and entertainment events;
- **E-commerce Services.** We offer in-venue food and beverages preordering service and IP-derivative merchandise sales online. We also offer membership subscriptions to users. We typically act as a sales agent in such services and receive a pre-agreed commission; and
- **Advertising Services and Others.** Leveraging our well-rounded marketing resources, we serve advertisers in both entertainment industry and other industries including automobile, electronics and consumer products.

Online Entertainment Ticketing Services

We commenced our online entertainment ticketing services initially for movies in January 2012 and have subsequently expanded into ticketing services for entertainment events, such as concerts, live performances, exhibitions and sports events. We have rapidly established ourselves as an industry leader in China. We were the largest online movie ticketing service provider in China with a market share of 61.3% by GMV of movie tickets sold in the nine months ended September 30, 2018. We ranked second in online ticketing services for entertainment events by GMV in the nine months ended September 30, 2018, according to the iResearch Report.

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We operate our online entertainment ticketing services through our platform, which enables users to purchase movie tickets online and thus plan their entertainment activities with ease and certainty. See “— Our Platform.”

Movie Ticketing

According to the iResearch Report, our market share was 44.6%, 41.9% and 47.1%, respectively, for 2015, 2016 and 2017 by GMV of movie tickets sold online in China. We were the largest online movie ticketing service provider in China by GMV of movie tickets sold in the nine months ended September 30, 2018, according to the iResearch Report, with a market share of 61.3%. According to the iResearch Report, over 85% of movie tickets in China were sold online in the nine months ended September 30, 2018.

The following table sets forth the GMV of movie tickets sold, the number of movie tickets sold, the total number of transaction users and the average number of movie tickets sold per transaction user on our platform for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
GMV of movie tickets sold (RMB million) ⁽¹⁾	12,901.8	14,431.0	21,679.6	14,940.6	25,624.7
Number of movie tickets sold (million)	380.0	397.5	598.5	409.2	679.4
Total number of transaction users of online movie ticketing services (million) ⁽²⁾	65.1	61.0	101.3	74.6	119.7
Average number of movie tickets sold per transaction user	5.8	6.5	5.9	5.5	5.7

Notes:

- (1) GMV of movie tickets sold represents the value of paid transactions (including the service fees) on our platform, without regard to any subsequent refunds, and is recognized at the moment of transaction. Box office represents the gross proceeds from movie ticket sales received by cinemas after deducting all refunds.
- (2) Users buy movie tickets on our platform through our apps or our self-operated channels on third-party platforms. If the same person accesses two different apps or service portals on third-party platforms of ours for the relevant period, this person would be counted as one transaction user in our calculation of the total number of transaction users.

User Experience

Our users are provided with a wide selection of current and upcoming movies, along with location-based cinema recommendations. Users can make their selection based on session schedule and ticket price as well as available services such as discounts, refund and exchange options, membership benefits and projection and sound technology of the particular screening. For some cinemas, food and beverages such as popcorn and soft drinks are available for preordering when

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purchasing tickets. See “— E-commerce Services.” Once users select a movie session, they may proceed to choose seats via an interactive seating plan. Payment can be made through several methods including Weixin Pay, Meituan Payment, credit/debit cards and UnionPay. Users can collect their tickets by entering reference codes or scanning QR codes at ticketing machines at cinemas.

To optimize the user experience, we provide on our platform synopses of movies, movie trailers, a bookmark function, review sharing and rating and commenting functions. We had accumulated 2.2 billion views for movie trailers, 158.0 million movie ratings and 70.6 million commentaries on our platform as of September 30, 2018. To ensure the integrity of our movie ratings system, ratings made by users with no corresponding purchase record are not taken into account in our movie rating calculation. For upcoming movies, users may share their views and indicate those they are interested in as “*Hype!*.” The upcoming movies are rated by the *Hype!* index which reflects the level of audience anticipation, providing an indicator of the most exciting upcoming movies. The large number of users and their ratings and commentaries generate significant user behavior data, which we have utilized to develop profound insights into audience preferences and China’s movie industry in general, which in turn inform decisions in our entertainment content services business.

We also deliver news content relating to recent trends and latest developments in the movie industry on our platform, written and published by our media team, associated press and freelance authors on our platform as well as through other channels such as *Weixin*. See “— Our Platform.”

In addition to our online services, we also organize offline user activities which further enhance user engagement and our interaction with users. We regularly organize events including movie premieres, fan-crew meetings, fan gatherings and other movie-related activities. We believe that our comprehensive online and offline service offerings help strengthen the market recognition of our services and further expand our user base.

Services Empowering Cinemas

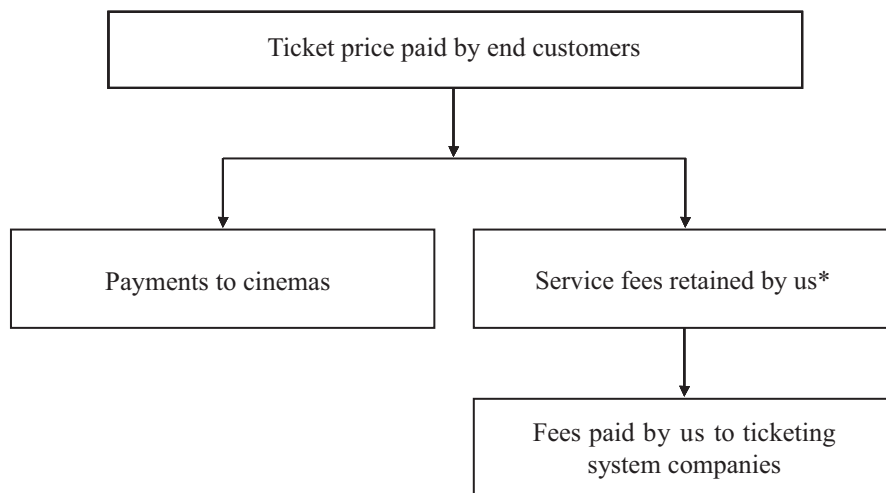
Our online movie ticketing services connect cinemas directly with a large and growing user base on our platform. We cooperate with substantially all cinemas in China covering over 600 cities. As of September 30, 2018, 95.2% of cinemas in China sold movie tickets online through us. These cinemas contributed to 99.7% of gross box office in China in the nine months ended September 30, 2018.

Besides providing instant, convenient and reliable ticketing services, we also provide services to digitize the operations of cinemas and help strategize their business activities with our business intelligence analysis services. We apply information on user traffic and activities generated over our platform in contextual and predictive analysis to assist cinemas with movie scheduling arrangements, and pricing strategies to optimize their resource utilization and operating efficiency. We further offer cinemas proprietary SaaS solutions to facilitate various aspects of cinema management including transaction processing, performance analysis and online marketing. Cinemas may also initiate promotional activities, such as membership subscriptions and exclusive events, by leveraging our platform features and user reach. See “— Our Platform — Business Service Platform — Key Features — Cinema Management Services System.”

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Movie Ticketing Arrangements

Pursuant to the ticket sales agreements with our cinemas, we typically act as a non-exclusive ticketing service provider for tickets sold outside of cinemas. Under these agreements, we gain access to each cinema's ticketing system operated by ticketing system companies. We generally enter into separate agreements with these ticketing system companies supplementary to our agreements with cinemas, to establish a connection between our platform and the ticketing system of each cinema and to ensure the smooth integration of its ticketing system into our network. Cinemas determine the movie scheduling, ticket sale time frame and the ticket price. We receive proceeds from end customers on our platform, deduct the service fees due to us and remit the remaining amounts to cinemas. During the Track Record Period, the rate of our service fee charged for movie tickets sold on our platform ranged from 4% to 8% of the ticket price paid by end customers. The service fee rate equals the service fee we charge divided by the ticket price paid by the end customers. We pay fees to the ticketing system companies for connecting our platform with the ticketing systems of cinemas and cinema circuits. These fees are typically approximately RMB1 per ticket. The following chart illustrates the fund flow of our online movie ticketing services.



Note:

* Such service fee typically ranges from 4% to 8% of the ticket price paid by the end customers and is recognized by us as revenue from movie ticketing services.

Subject to our arrangement with each individual cinema, we may also provide ticket refund and exchange services. We started our ticket refund services for cinemas in the second half of 2016. In 2016, 2017 and the nine months ended September 30, 2018, the refund rates of movie tickets sold were 1.7%, 2.0% and 1.3%, respectively.

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Entertainment Event Ticketing

We offer ticketing services for entertainment events, such as concerts, live performances, exhibitions and sports events on our platform. Subject to the capabilities of the theaters and other venues, we provide online seat area selection for certain entertainment events. We had cooperated with over 2,000 business partners, such as venue operators and event promoters, in China as of September 30, 2018. Our total entertainment event ticketing GMV reached RMB331.8 million in 2017, and further increased to RMB773.7 million in the nine months ended September 30, 2018. We ranked second in online ticketing services for entertainment events by GMV in the nine months ended September 30, 2018 with a market share of 11.3%, according to the iResearch Report. We charge a commission for entertainment event ticketing services at a rate ranging typically from 3% to 30% of the ticket price paid by the end customers.

Tickets are sold on our platform at prices determined by the venue operators or event promoters. We have established sound cooperation relationships with venue operators, event promoters, artists and event crews in terms of both ticketing services and event management services. Our event management services support the event organization process and include the venue seat planning and pricing, online ticketing and ticket scalper identification, anti-forgery ticket printing, onsite registration service and security service.

Subject to our arrangement with each venue operator and event promoter, we may also provide ticket refund and exchange services. We started such ticket refund services for venue operators and event promoters in the first half of 2017. In 2017 and the nine months ended September 30, 2018, the refund rates of entertainment event tickets sold were 6.9% and 4.2%, respectively.

Entertainment Content Services

Our entertainment content services range from distribution, promotion to production, for various entertainment formats. Distribution typically involves (i) designing the overall marketing strategy; (ii) determining suitable distribution channels such as cinemas, television and DVD; and (iii) setting an appropriate release date. To facilitate entertainment content distribution, we provide promotion services which comprise specific marketing initiatives such as press releases, advertising campaigns and media interviews. We sometimes participate in entertainment content production as a co-producer to make capital investment in the form of equity investment in the production and provide market-oriented advice to the production crew. Revenue of each of our movie production projects is recognized on a gross or net basis.

- Where we involve ourselves in the determination of idea origination, production crew, cast selection, shooting and post-production with other co-producers and determine the distribution and promotion plan as distributor for a movie, and when the key relevant activities of the movie production are discussed and jointly determined by us and other co-producers, the arrangement is considered in substance as a joint operation. As a result, we recognize the share of revenue and cost of the movie based on our own interest

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percentage in it. Such revenue is recognized on a gross basis over the movie screening period according to the box office, and the relevant investment costs of such movie (also representing the costs of the movie shared with us) are recognized and presented as cost of revenue in the same pattern as the aforesaid revenue recognition.

- Where we are not involved in the determination of idea origination, production crew, cast selection, shooting and post-production, but participate only in the distribution and promotion of a movie, we are not considered to be involved in the movie production process, and the main purpose of the investment in the movie is to obtain the distribution right from the movie production companies and to earn the distribution fee. Given that distribution services are provided by us to producers/movie production companies, and that an investment made by us in the relevant movie is also paid to the same producer/movie production company, such investment cost is considered as in substance consideration payable to a customer. As a result, such investment cost shall be accounted for as a reduction of revenue. Such revenue is recognized on a net basis over the movie screening period according to the box office, after the reduction of our investment cost.

Entertainment Content Services Platform

Our highly scalable entertainment content services platform is well-positioned to provide integrated services to our business partners to maximize audience impact with optimal efficiency. We started our entertainment content services in the movie sector in 2014 and quickly gained market recognition for our unique service offerings. We established a leading market position as the data-driven omni-channel for entertainment content services characterized by core competencies including extensive user reach, innovative platform features, sophisticated big data capabilities and well-integrated offline and partnership resources. Leveraging our capabilities and experience, we have recently expanded our entertainment content services into areas such as TV series, web series, web movies, variety shows and entertainment events.

- **Extensive user reach.** Our entertainment content services platform enables our business partners to reach our vast user base and effectively acquire and engage potential audience. We connect our business partners with our user base to enable targeted promotional activities. Supported by our own platform and our partner media outlets, our extensive media coverage further extends our user reach and enhances user engagement.
- **Innovative platform features.** Our user platform features help collect valuable user intelligence to guide our content services. We were the first to offer online movie ticket pre-sale and the *Hype!* index in China. Through our pre-sale, pre-screening and *Hype!* index services, our business partners can gauge market reception of their upcoming movies to formulate optimal distribution and promotion strategies.

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- **Sophisticated big data capabilities.** We continuously accumulate and collect user behavior data, audience profiling information, industry professional data and content performance statistics. Our strong big data capabilities, supported by our advanced algorithm, enable us to develop profound user and industry insights to guide our business partners and ourselves to maximize audience impact with efficiency and precision. We can also conduct big data analysis to design cost-efficient targeted promotional campaigns for our business partners.
- **Well-integrated offline and partnership resources.** We are equipped with well-integrated offline and partnership resources.
 - We cooperated with 95.2% of cinemas in China covering over 600 cities as of September 30, 2018. Our cinema partners contribute to our strong localized presence and can serve as the base for our promotional activities, including pre-screening and fan-crew meetings.
 - Our diversified offline channels enable us to provide our business partners with comprehensive distribution and promotion solutions. We offer various forms of promotional campaigns leveraging offline advertising resources, campus reach and merchant network through our Meituan Dianping partnership. We had robust connections with consumer industry partners and had co-hosted cross-industry promotional campaigns with over 19,350 business partners as of September 30, 2018.
 - We have extensive experience in organizing promotional events and activities such as pre-screenings, high-profile premieres, fan-crew meetings, fan gatherings and content product roadshows. In the nine months ended September 30, 2018, we organized over 2,220 such activities.
 - Our strong on-the-ground business development force continually strengthens and expands our relationships with cinemas and other business partners, coordinates online and offline promotional activities and explores cross-industry promotion opportunities.

Services Provided for Movies

With our extensive platform features, big data analytical capabilities and profound influence in the movie industry, our entertainment content services platform provides tailored distribution and promotion support to our business partners in the movie industry. The services provided for movies include targeted audience incentive programs, diversified promotion campaigns, movie pre-sale and test screenings. We have been able to continually expand our business partner base with our strong value propositions.

Leveraging the core competencies of our entertainment content services platform, we participate in movie projects as distributor and/or producer. We started to act as a lead distributor of movies in 2016 and quickly became the largest lead distributor of domestic movies in terms of China's gross box office for the 21 months ended September 30, 2018, according to the iResearch Report. For the same period, the top five lead distributors acted as lead distributors of movies that contributed to 55.2% of China's gross box office of domestic movies, according to the iResearch Report. The

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distribution and promotion of a movie typically involve one lead distributor and several co-distributors. The lead distributor is responsible for the overall distribution and promotion strategy, coordinating various workstreams of the distribution and promotion process, while the co-distributors are each responsible for carrying out specific distribution and promotion tasks. We primarily focus on distribution and promotion of domestic movies and may from time to time assist with the marketing of foreign movies in China. We promote and distribute movies produced by both third parties and ourselves.

In addition to promoting and distributing movies, we sometimes participate in movie production as a co-producer and may earn return on the box office. We have recently begun to explore such opportunities. The market for movie production in China is relatively fragmented. According to the iResearch Report, in 2017, more than 1,000 movie production companies participated in movie production, producing over 380 domestic movies. We participated as a co-producer in the production of four, 11 and 16 movies in 2016, 2017 and the nine months ended September 30, 2018, respectively.

The following table sets out the gross profit and gross loss incurred in our movie production services for the periods indicated.

	Year Ended December 31,		Nine Months Ended
	2016	2017	September 30,
	RMB million	RMB million	RMB million
Gross profit from profitable movie production projects	7.3	65.8	116.8
– Revenue from profitable movie production projects	7.3	78.6	159.6
<i>On a net basis</i>	7.3	4.1	14.9
<i>On a gross basis</i>	—	74.5	144.7
– Cost from profitable movie production projects	—	(12.8)	(42.8)
Gross loss from loss-making movie production projects	(6.1)	(37.9)	(67.7)
– Revenue from loss-making movie production projects	(6.1)	9.1	2.3
<i>On a net basis</i>	(6.1)	(3.4)	(14.3)
<i>On a gross basis</i>	—	12.5	16.6
– Cost from loss-making movie production projects	—	(47.0)	(70.0)
Total revenue from movie production projects	1.2	87.7	161.9
<i>On a net basis</i>	1.2	0.7	0.6
<i>On a gross basis</i>	—	87.0	161.3
Total cost from movie production projects	—	(59.8)	(112.8)
Net	<u>1.2</u>	<u>27.9</u>	<u>49.1</u>

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Note:

* Revenue of each of our movie production projects is recognized on a gross or net basis. Where we involve ourselves in the determination of idea origination, production crew, cast selection, shooting and post-production with other co-producers and determine the distribution and promotion plan as distributor for a movie, and when the key relevant activities of the movie production are discussed and jointly determined by us and other co-producers, the arrangement is considered in substance as a joint operation. As a result, we recognize the share of revenue and cost of the movie based on our own interest percentage in it. Such revenue is recognized on a gross basis over the movie screening period according to the box office, and the relevant investment costs of such movie (also representing the costs of the movie shared with us) are recognized and presented as cost of revenue in the same pattern as the aforesaid revenue recognition. Where we are not involved in the determination of idea origination, production crew, cast selection, shooting and post-production, but participate only in the distribution and promotion of a movie, we are not considered to be involved in the movie production process, and the main purpose of the investment in the movie is to obtain the distribution right from the movie production companies and to earn the distribution fee. Given that distribution services are provided by us to producers/movie production companies, and that an investment made by us in the relevant movie is also paid to the same producer/movie production company, such investment cost is considered as in substance consideration payable to a customer. As a result, such investment cost shall be accounted for as a reduction of revenue. Such revenue is recognized on a net basis over the movie screening period according to the box office, after the reduction of our investment cost.

We had three, six and eight loss-making movie production projects in 2016, 2017 and the nine months ended September 30, 2018.

As a co-producer, we not only make capital investment in the form of equity investment in the production, but also leverage our big data analytical capabilities, industry insights and extensive experience of movie distribution and promotion to provide market-oriented advice to the production crew throughout the production process, including idea origination, casting, shooting and post-production. Our movie production business has generally been profitable during the Track Record Period, although there have been investment losses in certain individual projects.

Our revenue from the movie services may be generated from the following sources: (i) promotional payments from movie production companies in return for promotion services provided by us, including the payment for our movie distribution and promotion cost; (ii) distribution fee; and (iii) profit sharing from the movies which we provide production services to and/or invest in. Revenue of each of our movie production projects is recognized on a gross or net basis.

(i) *Promotional payments from movie production companies*

When we provide movie distribution and promotion services, we are responsible for the overall distribution and promotion strategy, carry out the distribution tasks and monitor the quality of various aspects of services. The payment for our movie distribution and promotion cost is an economic inflow as the result of rendering such services and is therefore a payment for our services by nature, which shall be recognized as revenue. We receive promotional payments from movie production companies as the distributor of specific movies and/or the promotional platform performing certain promotional tasks. Accordingly, the promotional payments are further divided into: (i) user incentives funded by business partners, and (ii) other promotional payments when engaged by movie production companies as a distributor. User incentives funded by business partners represent the revenue from business partners which engage us to provide specific promotional tasks on our platform, where we are not engaged as distributor. User incentives recorded in selling and marketing expenses include those

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funded by business partners to promote their content through us by engaging us to perform specific promotional tasks based on our platform capabilities, and those offered by us to promote our services. See “Financial Information — Description of Major Components of Our Results of Operations — Selling and Marketing Expenses.” Under such arrangements with business partners, we provide promotional and marketing services to our business partners. Cash received/receivable from business partners can be used at our discretion on our platform to provide user incentives and carry out other promotional activities. As the cash received/receivable from our business partners was spent together with cash costs incurred by ourselves to promote our services for all revenue streams, they are recognized as selling and marketing expenses when incurred. Differently, promotional payments when engaged by movie production companies as a distributor represent the revenue received from movie production companies when we are engaged as a distributor of specific movies and provide promotion services. The corresponding content distribution and promotion cost is recorded in the cost of revenue and comprises costs in association with user incentives, marketing and promotional campaigns, test screenings, pre-sale, pre-screenings, premieres, fan-crew meetings, fan gatherings, road shows and promotion materials when we act as the distributors of specific movies. See “Financial Information — Description of Major Components of Our Results of Operations — Cost of Revenue.” User incentives under content distribution and promotion cost are funded by movie production companies for the promotion of the specific movies. The amount of promotional payments is identical with the sum of such costs and expenses and thus the promotional payment does not directly affect our profitability. However, our ability to provide such promotion services, including determining audience incentive programs and organizing promotion campaigns, movie pre-sale, test screenings and other promotional activities helps us obtain the role of movie distributor and so entitled to a distribution fee. The promotion services provided by us, based on our platform’s abilities, further help us establish and strengthen relationships with business partners, and in turn, benefit our movie distribution and production services.

Fund flow of user incentives

User incentives are applied to end customers’ purchases on our platform as a payment discount.

When movie production companies engage us as a movie’s distributor, we typically receive promotional payment and distribution fee in cash first. The promotional payment is made to us in return for the promotion services provided by us, including the payment for our movie distribution and promotion cost such as the user incentives we deploy. After receiving such payment, we, as the distributor, determine the plan of user incentives, including the timing, frequency and the discount amount per ticket. The discount is then applied to the end customers’ purchase at the moment of transaction over our online movie ticketing platform. When we, as online movie ticketing platform, receive the ticket price paid by the end customers, the discounted amount is paid by us in our subsequent settlement with the cinemas. Such amount will then be recognized as cost of revenue under content distribution and promotion cost.

When business partners engage us to provide specific promotional tasks to utilize our platform capability, without engaging us as the movie’s distributor, we typically also receive promotional payment from such business partners in cash first. Such payment typically includes the budget for user incentives, which we recognize as revenue under user incentives funded by business partners. After

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receiving such payment, we determine the plan of user incentives, including the timing, frequency and the discount amount per ticket. The discount is then applied to the end customers' purchase at the moment of transaction. When we receive the ticket price paid by the end customers, the discounted amount is paid by us in our subsequent settlement with the cinemas. Such amount will then be recognized as selling and marketing expenses, under marketing and promotion expenses.

We may also provide user incentives funded by ourselves to promote our platform and services rather than specific movies. Such user incentives are also applied as discounts to the end customers' purchase at the moment of transaction. When we receive the ticket price paid by the end customers, the discounted amount is paid by us in our subsequent settlement with the cinemas. Such amount will then be recognized as selling and marketing expenses, under marketing and promotion expenses.

(ii) *Distribution fee*

When acting as a lead distributor, the rate of distribution fee we receive typically ranges from 5% to 12%. When acting as a co-distributor, our distribution fee may be either a pre-agreed amount or determined at a rate ranging from 1% to 2%. Distribution fee rate equals the distribution fee we receive divided by the total revenue-sharing box office. The revenue-sharing box office represents the remaining portion of the box office, after deducting the amounts paid to cinemas, charges by relevant regulatory authorities, mandatory contributions to the National Film Development Fund and taxes, which generally accounts for approximately 40% of the box office. See "Industry Overview — Entertainment Content Services."

(iii) *Profit sharing from the movies we provide production services to and/or invest in*

Where we involve ourselves in the determination of idea origination, production crew, cast selection, shooting and post-production with other co-producers and determine the distribution and promotion plan as distributor for a movie, and when the key relevant activities of the movie production are discussed and jointly determined by us and other co-producers, the arrangement is considered in substance as a joint operation. As a result, we recognize the share of revenue and cost of the movie based on our own interest percentage in it. Such revenue is recognized on a gross basis over the movie screening period according to the box office, and the relevant investment costs of such movie (also representing the costs of the movie shared with us) are recognized and presented as cost of revenue in the same pattern as the aforesaid revenue recognition.

Where we are not involved in the determination of idea origination, production crew, cast selection, shooting and post-production, but participate only in the distribution and promotion of a movie, we are not considered to be involved in the movie production process, and the main purpose of the investment in the movie is to obtain the distribution right from the movie production companies and to earn the distribution fee. Given that distribution services are provided by us to producers/movie production companies, and that an investment made by us in the relevant movie is also paid to the same producer/movie production company, such investment cost is considered as in substance consideration payable to a customer. As a result, such investment cost shall be accounted for as a reduction of revenue. Such revenue is recognized on a net basis over the movie screening period according to the box office, after the reduction of our investment cost.

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The following table sets forth a breakdown of our revenue from entertainment content services by source for the periods indicated. See “— Our Services — Entertainment Content Services — Entertainment Content Services Platform.”

Sources	Year Ended December 31,				Nine Months Ended September 30,			
	2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Promotional payments	308,285	91.4	668,780	78.5	354,323	86.2	627,119	68.9
— User incentives funded by business partners	234,236	69.5	542,222	63.6	314,898	76.6	436,916	48.0
— Promotional payments when engaged by movie production companies as a distributor	74,049	21.9	126,558	14.9	39,425	9.6	190,203	20.9
Distribution fee	27,806	8.2	95,767	11.2	32,758	8.0	121,217	13.3
Profit sharing from production services*	1,208	0.4	87,752	10.3	23,867	5.8	161,917	17.8
Total	337,299	100.0	852,299	100.0	410,948	100.0	910,253	100.0

Note:

* Revenue of each of our movie production projects is recognized on a gross or net basis. Where we involve ourselves in the determination of idea origination, production crew, cast selection, shooting and post-production with other co-producers and determine the distribution and promotion plan as distributor for a movie, and when the key relevant activities of the movie production are discussed and jointly determined by us and other co-producers, the arrangement is considered in substance as a joint operation. As a result, we recognize the share of revenue and cost of the movie based on our own interest percentage in it. Such revenue is recognized on a gross basis over the movie screening period according to the box office, and the relevant investment costs of such movie (also representing the costs of the movie shared with us) are recognized and presented as cost of revenue in the same pattern as the aforesaid revenue recognition. Where we are not involved in the determination of idea origination, production crew, cast selection, shooting and post-production, but participate only in the distribution and promotion of a movie, we are not considered to be involved in the movie production process, and the main purpose of the investment in the movie is to obtain the distribution right from the movie production companies and to earn the distribution fee. Given that distribution services are provided by us to producers/movie production companies, and that an investment made by us in the relevant movie is also paid to the same producer/movie production company, such investment cost is considered as in substance consideration payable to a customer. As a result, such investment cost shall be accounted for as a reduction of revenue. Such revenue is recognized on a net basis over the movie screening period according to the box office, after the reduction of our investment cost.

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The following table sets out our selected landmark movie projects where we provided entertainment content services during the Track Record Period and up to the Latest Practicable Date. The selection of titles in the following table was based on market reputation, box office performances and the significance of our roles in production, promotion and distribution.

Title	Release time	Role	Gross Box Office (RMB million)
Kill Mobile (來電狂響)	December 2018	Co-producer Lead distributor	618
Hello, Mrs. Money (李茶的姑媽)	September 2018	Co-producer Lead distributor	604
Hidden Man (邪不壓正)	July 2018	Co-producer Lead distributor	583
Dying to Survive (我不是藥神)	July 2018	Co-producer	3,098
Us and Them (後來的我們)	April 2018	Co-producer Lead distributor	1,361
The Shape of Water (the U.S.)	March 2018	Assisting with distribution	105
Boonie Bears: The Big Shrink (熊出沒·變形記)	February 2018	Co-producer	606
Monster Hunt 2 (捉妖記2)	February 2018	Co-producer Lead distributor	2,237
Secret Superstar (India)	January 2018	Assisting with distribution	747
The Ex-file 3: The Return of The Exes (前任3：再見前任)	December 2017	Co-producer	1,941
Bad Genius (Thailand)	October 2017	Assisting with distribution	271
Never Say Die (羞羞的鐵拳)	September 2017	Co-producer Lead distributor	2,213
Love off the Cuff (春嬌救志明)	April 2017	Co-producer	175
Buddies in India (大鬧天竺)	January 2017	Lead distributor	756
Some Like It Hot (情聖)	December 2016	Co-producer Lead distributor	657
I Am Not Madame Bovary (我不是潘金蓮)	November 2016	Lead distributor	482
Mr. Donkey (驢得水)	October 2016	Co-producer Lead distributor	172

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Our movie services may be provided during the following phases of movie production and distribution depending on our tasks and roles in movie projects:

- **Project Initiation Phase.** We select movie projects by leveraging our strong big data analytical capabilities and industry insights and taking into account key factors such as expected market reception, box office potential, timing of planned cash outlays for production, the estimated promotion and distribution expenses needed. We aim to achieve a balance between risk and return for our movie projects.
- **Production Phase.** We provide market-oriented advice to the production crew on the shooting process. For example, our audience profiling can contribute to our business partners' adjustment of the movie casting, shooting and editing process. We typically participate in the investment of the movies we co-produce.
- **Promotion and Distribution Phase.** We plan and coordinate various marketing and promotional activities through our entertainment content services platform. Leveraging our valuable big data analytical capabilities, we are able to optimize the performance of movies through identifying target audience. Throughout the movie promotion phase, we actively monitor box office performance and market feedback and adjust our promotional activities in real time. With the data from our platform and our analyses, we configure release schedules by taking into account audience attendance patterns, favored movie genres and competition from other movies' scheduled releases.

Services Provided for Other Entertainment Content

Our entertainment content services platform is designed to be versatile and well-equipped to extend our capabilities to serve content formats beyond movies, such as TV series, web series, web movies, variety shows and entertainment events.

We started to offer distribution and promotion services for and explore opportunities in the production of TV series, web series, web movies and variety shows in early 2018, and selectively participated in projects with market potential, such as *The Longest Day in Chang'an* (長安十二時辰). In the nine months ended September 30, 2018, we participated in the co-production of 12 TV series. The market of TV series production in China is highly fragmented and there were more than 13,000 production companies in China licensed to produce broadcast and TV programs, producing over 600 TV series in 2017, according to the iResearch Report.

We recently began to participate in the production, distribution and promotion of entertainment events in China mainly by providing industry insights, big data capabilities, offline resources and funding.

E-commerce Services

Our e-commerce services include the online preordering of in-venue food and beverages, sales of IP-derivative merchandise and movie ticket membership subscriptions on our platform.

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The following table sets forth a breakdown of our revenue from e-commerce services by source for the periods indicated:

Source	Year Ended December 31,						Nine Months Ended September 30,			
	2015		2016		2017		2017		2018	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
In-venue food and beverages	1.4	100.0	12.8	82.6	52.8	41.5	38.4	43.9	58.4	36.4
Sales of IP-derivative merchandise and others	—	—	—	—	10.9	8.5	6.3	7.2	15.3	9.5
Movie ticket membership subscriptions	—	—	2.7	17.4	63.5	50.0	42.9	48.9	86.6	54.1
Total	1.4	100.0	15.5	100.0	127.2	100.0	87.6	100.0	160.3	100.0

We offer preordering of food and beverages over our platform for users' subsequent consumption in venues. The varieties of food and beverages items are determined by the individual venues. In 2016 and 2017, our GMV of food and beverages sold was RMB288.8 million and RMB647.4 million, respectively. In the nine months ended September 30, 2017 and 2018, our GMV of food and beverages sold was RMB466.7 million and RMB681.5 million, respectively. We typically charge a commission fee ranging from 7% to 10% of the transaction value for in-venue food and beverages.

We also offer IP-derivative merchandise on our platform. Benefiting from high traffic on our user platform, we believe that our IP-derivative merchandise offerings are well-positioned to attract movie fans. IP-derivative merchandise offered encompass electronics, toys, lifestyle products and clothing authorized by relevant IP holders. We continually seek to offer more products that appeal to our users and update our offerings regularly based on the latest market trends and consumer preferences. In May 2018, we started cooperating with a game, comics and movie centric merchandising sale platform operated by Tencent to access more quality IP resources, supply chains and marketing channels. We typically charge a commission fee ranging from 10% to 30% of the transaction value for IP-derivative merchandise.

We offer joint membership subscriptions with cinemas on our platform. Membership benefits include ticket price discounts and more favorable refund and exchange terms. As of September 30, 2018, over 7,000 cinemas offered membership subscriptions on our platform. We typically charge a commission fee ranging from 3% to 20% of the transaction value for the subscription of membership plans sponsored by cinemas.

Advertising Services and Others

Leveraging our well-rounded marketing resources, we provide advertising services to advertisers in both entertainment industry and other industries such as Internet-based services, automobile, electronics and consumer products. The number of our advertisers increased from two in 2015 to 72 in 2017. We had 52 advertisers in the nine months ended September 30, 2018, including one advertising agent we engaged in 2018. We recognized the advertising agent as our customer instead of individual advertisers who place advertisements with us through this agent.

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Our advertising services on our mobile platform involve placing images or rich media content. Typical advertising resources on our mobile apps include the loading page displayed when the app is being activated, push messages when the app is in use and banners at the top and bottom of the screen featuring text and graphics.



Loading page advertisement



Banner advertisement

We also provide other advertising solutions, including advertisements incorporated into our own entertainment content in the form of news feeds and articles published through our official accounts across media platforms, as well as various offline marketing resources and activities such as cinemas, roadshows and cross-industry advertisement cooperation.

Our advertisement sales agreement typically specifies the advertising inventories involved, including the formats and running time. The advertising fees are based primarily on expected exposure associated with the advertising inventories. The advertisement sales agreement can either be for a specified advertisement placement, or for a master allocation of certain advertising inventories, which typically last for a period ranging from a few weeks to one year.

We perform background and qualification checks on potential advertisers. We require advertisements to comply with relevant laws and regulations as well as our guidelines and pre-vet the advertisements before they reach our users. We reject items which we believe are improper for advertising.

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OUR PLATFORM

In general, our platform consists of user platform and business service platform.

User Platform

Users can access our services primarily through our *Maoyan* app and *Gewara* app, as well as our self-operated channels on partnered platforms, including through our exclusive entry portals on Weixin Pay, QQ Wallet, *Meituan* app and *Dianping* app, as well as our Maoyan Mini Program on *Weixin*. Our average MAU reached 134.6 million in the nine months ended September 30, 2018, and the number of transaction users of our online movie ticketing services reached 119.7 million in the nine months ended September 30, 2018. We offer comprehensive products and services for entertainment consumption to enhance user engagement and experience, including IP-derivative merchandise and in-venue food and beverages preordering. We also provide media content on our or our partners' platforms in China. In the nine months ended September 30, 2018, our media content received a monthly average of 1.2 billion views on third-party platforms. We may also provide portals to third-party services, such as online movie streaming, to enrich our service offerings in the course of testing cooperation with various businesses.

Key Features

Content Discovery

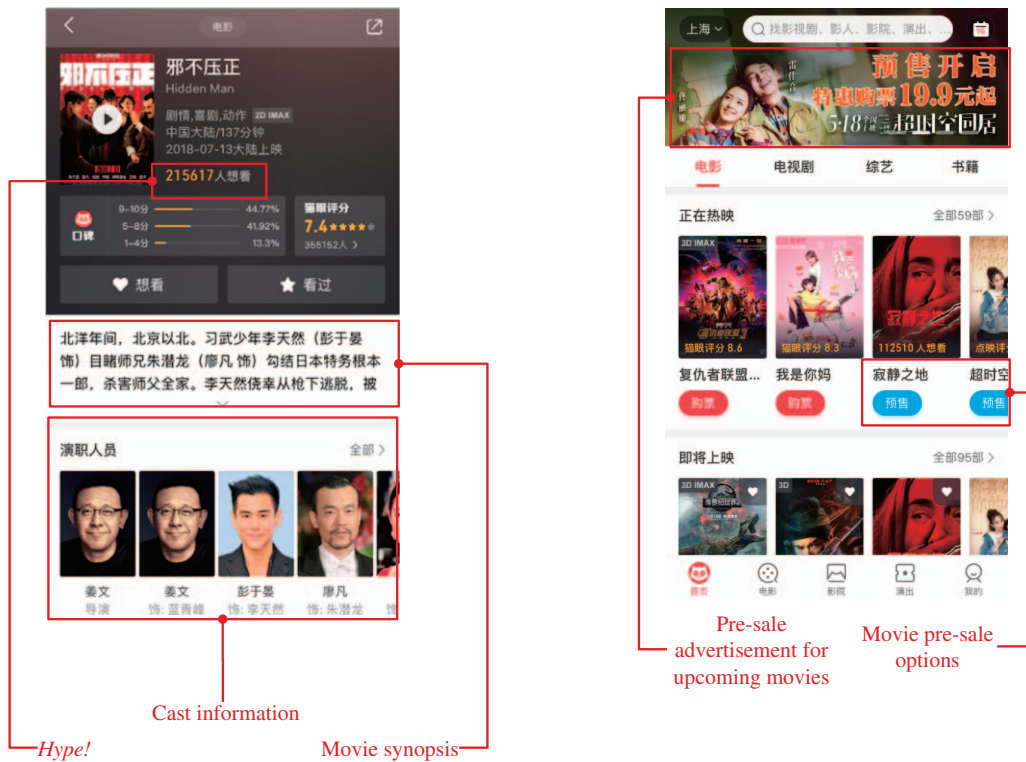
Our platform provides a list of current and upcoming entertainment content including movies and entertainment events. We maintain a homepage for each such content, as well as for industry professionals. Content homepages contain a brief introduction including a synopsis, cast and crew, stills and trailers. Industry professionals' homepages present information including their biography, representative work and relevant news of the individual.

As of September 30, 2018, trailers on our platform had cumulative views of 2.2 billion. Our content database included information on more than 800,000 movies, 120,000 TV series and 2.5 million industry professionals as of the same day. Our content database also includes information on and reviews of books.

Subject to agreements with movie production companies and cinemas, our platform provides pre-sales for certain upcoming movies, especially blockbuster movies, before their formal release.

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The following are illustrative screenshots of our movie homepage and pre-sale interface.



We present our entertainment event ticketing interface by entertainment formats. Entertainment event homepages contain information including a brief introduction and details of the core production crew.

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The following are illustrative screenshots of our entertainment event ticketing interface and entertainment event homepage.



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Service Delivery

Users purchasing tickets for a specific movie session can find all cinemas that run the selected movie. Users can filter the choices by price, schedule, location and technology such as 2D, 3D, 4D and IMAX.

Our platform provides real-time cinema seat selection and in-venue food and beverages preordering, as illustrated by the screenshots below.



Content Review

We maintain a community for users to provide movie ratings and commentaries. We had accumulated 158.0 million movie ratings and 70.6 million commentaries on our platform as of September 30, 2018. To ensure the integrity of our movie ratings system, ratings made by users with no corresponding purchase record are not taken into account in our movie rating calculation. See “— Technology System and Infrastructure — Maoyan Research Institute and Big Data Analytical Capabilities.”

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Entertainment News and Media Services

We offer the latest entertainment news sourced from our media team, associated press and freelance authors on our platform, as well as media outlets in China. Our news topics cover critiques, trailers, awards and interviews with industry professionals. We pre-vet news content before we post it on our platform.

The following are illustrative screenshots of user ratings and commentaries and entertainment news.



Ratings and commentaries



Entertainment news feeds

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Access to Our Platform

Users typically access our mobile products via our apps or portals operated by us on third-party platforms. Portals on third-party platforms direct users to an interface similar to *Maoyan* app in terms of functionality and appearance. Through our strategic partnerships with Tencent and Meituan Dianping, our platform can be accessed through Tencent’s *Weixin* and *QQ* apps, *Meituan* app and *Dianping* app. We believe this helps us broaden our user reach and enhances our brand awareness. Services are provided through these third-party mobile apps under our own Maoyan brand. See “— Our Strategic Partners.”

The following table sets forth the average MAU of our platform, GMV of movie tickets sold and the number of transaction users of our online movie ticketing services, each by channels, for the periods indicated.

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
Average MAU (million)					
Our apps	9.1	7.8	7.0	5.2	6.8
<i>Weixin</i> and <i>QQ</i> apps	—	—	43.4	—	55.6
<i>Meituan</i> and <i>Dianping</i> apps	31.8	49.8	66.2	67.6	72.2
GMV of movie tickets sold (RMB million)					
Our apps	2,681.7	2,241.5	2,675.4	1,786.1	2,554.5
<i>Weixin</i> and <i>QQ</i> apps	—	—	1,644.1	—	7,737.2
<i>Meituan</i> and <i>Dianping</i> apps	10,220.1	12,189.6	17,360.1	13,154.5	15,333.0
Number of transaction users of movie ticketing services (million)					
Our apps	13.1	8.6	9.2	6.2	7.4
<i>Weixin</i> and <i>QQ</i> apps	—	—	13.4	—	40.9
<i>Meituan</i> and <i>Dianping</i> apps	65.6	68.6	79.9	68.4	72.3

Note:

* *Weixin* and *QQ* apps were owned by Tencent and *Meituan* and *Dianping* apps were owned by Meituan Dianping, both of which are our shareholders and have strategic partnerships with us. See “Business — Our Strategic Partners” and “Relationship with Enlight and Tencent — 2. Relationship with Tencent.” Portals to our services on *Weixin* and *QQ* apps were launched after the Weying Acquisition in September 2017.

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User traffic access through Tencent's and Meituan Dianping's apps

During the Track Record Period, a substantial part of our platform's user traffic was accessed through Meituan Dianping's and Tencent's apps. For the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2018, 77.8%, 86.5%, 56.8% and 53.6%, respectively, of the average MAUs of our online movie ticketing services were from *Meituan* and *Dianping* apps.

We only started our business cooperation with Tencent in 2017, after the Weying Acquisition. For the year ended December 31, 2017 and the nine months ended September 30, 2018, 37.2% and 41.3%, respectively, of the average MAUs of our online movie ticketing services were from Tencent's *Weixin* and *QQ* apps.

Immediately following the completion of the Global Offering and full conversion of the 2018 CB into our Shares, Tencent will be indirectly interested in approximately 13.96% and Meituan Dianping will be indirectly interested in approximately 7.34% of our issued share capital, assuming the Over-allotment Option is not exercised and based on the low end of the indicative Offer Price range. According to the prospectus of Meituan Dianping dated September 7, 2018, Tencent is one of the substantial shareholders of Meituan Dianping, indirectly interested in approximately 19.2% of the issued share capital of Meituan Dianping immediately after Meituan Dianping's initial public offering. Tencent and Meituan Dianping, both being listed companies, have independent business decision-making process from each other.

We intend to continue to strengthen our business cooperation with both Tencent and Meituan Dianping, as we believe our future strategic partnerships with them will give us a competitive advantage in respect of user traffic and media resources and further strengthen our market position.

Complementary and mutually beneficial relationship

The roles of Tencent and Meituan Dianping as a leading social media platform and a leading e-commerce platform, respectively, in the PRC and of us as a leading platform providing innovative Internet-empowered entertainment services in China are complementary to each other, making our partnerships with Tencent and Meituan Dianping mutually beneficial. Through our strategic partnership with Tencent, we have been one of the few platforms embedded in Weixin Pay and QQ Wallet portals and the only one for movies, live shows and sports. In addition, we have embedded in *Weixin* app a search function which enables users to access our services by simply searching with key words such as "movie," "movie ticket" or "Maoyan." Also, under our partnership with Meituan Dianping, we operate an exclusive movie and entertainment event ticketing channel on Meituan Dianping's platform which complements its lifestyle services and we are the exclusive partner of Meituan Dianping in the entertainment industry. Both arrangements allow Tencent's and Meituan Dianping's respective users to access our services easily and swiftly. See "— Our Strategic Partners."

We obtained a large amount of user traffic from Tencent and Meituan Dianping through such business cooperation, but at the same time, we believe that our large user base, advanced technology and continuous provision of products and services are also beneficial for our business and strategic

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partners' service offerings to their own users. For example, our strong big data analytical capabilities enable a better understanding of user preferences and their entertainment needs and can help enhance user stickiness. Therefore, we believe our partnerships with Tencent and Meituan Dianping are mutually beneficial.

Market leadership of Tencent and Meituan Dianping in China's Internet and social network industry and legitimate commercial reasons for cooperation

China's Internet and social media industry and consumer service e-commerce market are led by a few market leaders with access to significant user base and user traffic. Among the limited number of leading social network platforms in China, Tencent is a leading provider of Internet value-added services and operates the top social networking apps in the PRC and Meituan Dianping is China's leading e-commerce platform for services, covering food, broad lifestyle and travel services. As of September 30, 2018, *Weixin* (including its overseas version *WeChat*) had 1,083 million MAUs and *QQ* had 803 million MAUs, according to the announcement of the results for the nine months ended September 30, 2018 of Tencent. We were founded and incubated by Meituan Dianping and Tencent is one of our shareholders. In addition, the strong social and lifestyle elements of *Weixin*, *QQ*, *Meituan* and *Dianping* apps are compatible with our service offerings. Therefore, there are legitimate commercial reasons for us to form partnerships with Tencent and Meituan Dianping and our transactions with them were on normal commercial terms in our ordinary course of business.

Our endeavor to enhance our own user base

We will continue to expand our user base through a diverse range of traffic acquisition channels. Our collaboration with Tencent and Meituan Dianping is not mutually exclusive. We are free to identify other suitable business partners if our agreement with either Tencent or Meituan Dianping is terminated.

Tencent and Meituan Dianping are two important strategic partners for our user traffic. Our collaboration with Tencent since 2017 has helped balance our user traffic generated from Meituan Dianping and *vice versa*. In addition, we also have our own mobile apps, *Maoyan* and *Gewara*, and have been actively developing more comprehensive services such as online seat selection, ticket pre-sale, IP-derivative merchandise and a variety of interactive features such as our *Hype!* function (which indicates users' anticipation level for an upcoming movie) and post-movie reviews, to optimize our user experience and thereby increase our own user base and enhance user engagement.

Corporate governance measures to identify and manage potential conflicts of interests

With reference to the relevant laws, regulations and rules, we have developed sound corporate governance practices and have adopted rules of procedures for general meetings and for Board meetings to identify and manage potential conflicts of interests with Tencent and Meituan Dianping. Directors who hold management positions or interests in Tencent and Meituan Dianping are not involved in our daily corporation and management and shall abstain from voting on any Board resolutions approving arrangement or any other proposals with Tencent and Meituan Dianping, respectively.

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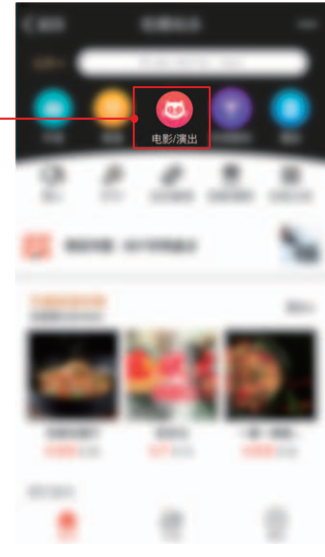
The following are illustrative screenshots of portals to our services on *Weixin*, QQ Wallet, *Meituan* app and *Dianping* app.



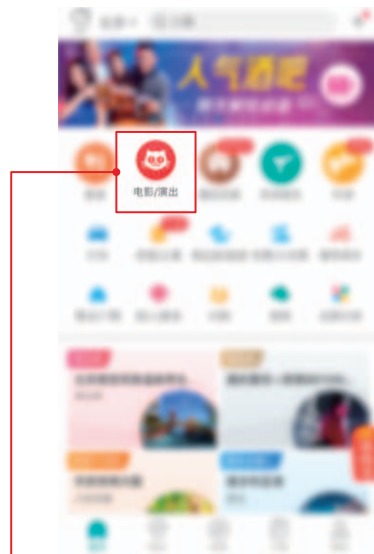
Entry portal on Weixin Pay



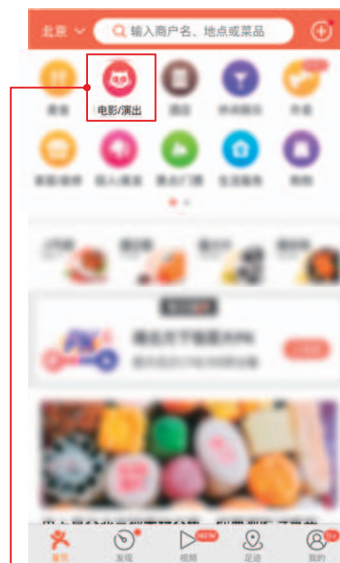
Weixin Mini Program



Entry portal on QQ Wallet



Entry portal on Meituan app



Entry portal on Dianping app

Business Service Platform

Leveraging our big data analytical capabilities, we launched the *Maoyan Pro* app in December 2015 to provide market analysis services to various types of professionals in the industry value chain. We believe that we have become a highly valued partner for industry information and have established an extensive network of potential business partners, which will in turn contribute to our entertainment content services business.

Key Features

Maoyan Pro

Performance Statistics

Maoyan Pro provides the following performance statistics functions:

- Box office and viewership performance

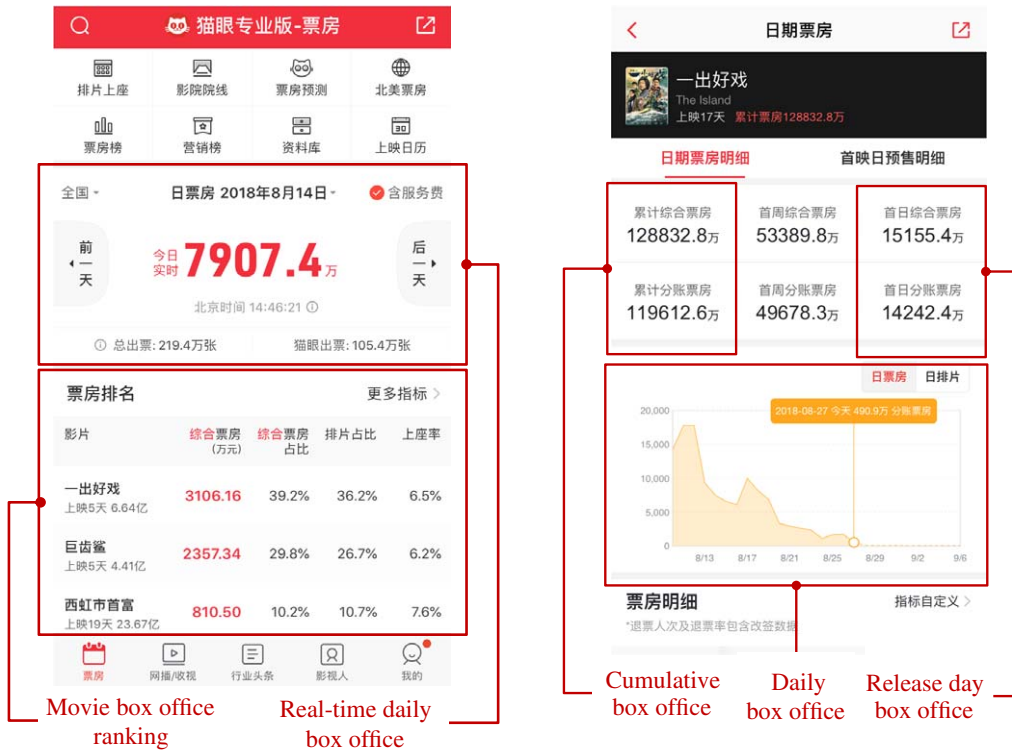
For a movie's box office performance, we present detailed information such as real-time updates and dynamic box office forecasts.

Similarly, viewership of TV series, web series, web movies and variety shows are presented with both real-time and forecast data.

Besides box office and viewership performance, *Maoyan Pro* also presents data including ratings and commentaries and the *Hype!* index as key indicators of market reception and word-of-mouth effect of such entertainment content.

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The following are illustrative screenshots of performance statistics for different entertainment content.



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– Potential Audience Profile

Building upon our large user base and transaction volumes, *Maoyan Pro* also provides potential audience profile for each movie.

We further provide advanced audience profiles to cinemas, with more tailored audience data such as audience profile for each cinema and target audience based on geographic location. We believe such audience data and information help cinemas develop an in-depth understanding of their target markets and carry out their operations more efficiently.

The following is an illustrative screenshot of our potential audience profile data.



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– Promotional Activities Tracking

We provide ranking and trend analysis for marketing material placements and viewership of promotional content, such as trailers and news.

The following is an illustrative screenshot of our promotional activity information.



Industry Information Services

We provide comprehensive industry information services on *Maoyan Pro*. Industry professionals who register and verify with us their professional credentials are granted free access to our information system. Movie and TV series project initiators can post information to seek suitable talents, project resources such as filming bases and project partners including co-investors, distributors and promoters. Such information will be available to all registered professionals and those interested may submit their applications online. The project initiators will be able to review the applications based on the credentials of each applicant available on our platform.

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The following is an illustrative screenshot of our industry information services interface.



Industry News

Industry news on *Maoyan Pro* primarily targets industry professionals. Such industry news typically includes periodic industry reports, analyses of successful projects, box office summaries and forecasts and updates of various industry rankings.

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The following is an illustrative screenshot of our industry news.



Cinema Management Services System

Our SaaS solutions for cinemas have major functions including operational data matrix, cinema promotion toolkits, membership management, merchandise sales management, operation management and settlement management.

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The following is an illustrative screenshot of our SaaS interface.



OUR STRATEGIC PARTNERS

We formed strategic alliances with leading Internet service providers and platforms, in particular, Tencent and Meituan Dianping, to enhance our user experience and facilitate future business expansion along the value chain.

Tencent

Tencent is a leading provider of Internet value-added services in China. We entered into a strategic partnership with Tencent in September 2017. Under our partnership, we enjoy a preferred cooperative relationship with Tencent in the entertainment industry. Our services can be accessed through the interface of multiple functions of *Weixin*, including primarily *Weixin Pay* and *Weixin Mini Programs*. Through our strategic partnership with Tencent, we are one of the few platforms embedded in *Weixin Pay* and *QQ Wallet* portals and the only one for movies, live shows and sports. *Weixin* and *QQ* both are top online social networks in China.

Key terms of our strategic partnership:

- Contract period: five years with *Weixin* and eight years with *QQ* in terms of online movie ticketing.
- Preferred rights: we cooperate with Tencent Pictures, Penguin Pictures, Tencent Video and other Tencent platforms and enjoy certain preferred rights in online movie and entertainment ticketing services and the distribution, promotion and production of movies and other entertainment content. See “— User Platform — Access to Our Platform.”

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- Data sharing: we share with Tencent user data, operating data and transaction data collected or generated from transactions through portals on *Weixin* and *QQ* as necessary, to the extent permitted by relevant laws and regulations.
- Infrastructure services: Tencent is responsible for maintenance of our entry portals for online movie ticketing services on *Weixin* and *QQ*.

We are an important strategic partner of Tencent in China's entertainment industry. Tencent expresses its interest in deepening its relationship with us through exploring more extensive business cooperation. In addition, while the rules and regulations in Hong Kong generally do not permit existing substantial shareholders of a listing applicant to participate in its initial public offering, Tencent may purchase securities of our Company in the future in compliance with all applicable laws, regulations and rules. We believe our partnership with Tencent broadens our user reach, supports us with industry resources and enhances our big data capabilities.

Meituan Dianping

Meituan Dianping is China's leading e-commerce platform for services, covering food, broad lifestyle and travel services. We entered into a strategic partnership with Meituan Dianping in May 2016. Under our partnership, we are the exclusive business partner in entertainment ticketing and services on *Meituan* app and *Dianping* app.

Key terms of our strategic partnership:

- Contract period: five years, subsequently extended to September 2022.
- Preferred cooperative relationship: Meituan Dianping enjoys a preferred cooperative relationship with us in terms of service fees and promotion available to the users on Meituan Dianping and settlement.
- Data sharing: we share with Meituan Dianping user data and transaction data collected or generated during the course of our cooperation in online entertainment ticketing as necessary, to the extent permitted by relevant laws and regulations.
- Infrastructure services: we enjoy a preferred cooperative relationship with Meituan Dianping for utilizing its services including cloud-based system, IT infrastructure system, customer services and operation and maintenance services.

Through fulfilling users' entertainment needs, we enrich Meituan Dianping's suite of offerings and help enhance its user stickiness with our strong service offering capabilities and innovation, resulting in a mutually-beneficial relationship between Meituan Dianping and us.

TECHNOLOGY SYSTEM AND INFRASTRUCTURE

Our technological competence and the stability of our information infrastructure are vital to our business operations. Our platform is built on a highly scalable and reliable cloud-based technology architecture. This allows us to harness large quantities of real-time data and ensures high speed

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performance at a large scale to accommodate more users and the increased complexity of our business operations. With modular architecture that is built to be scalable, our platform can be easily expanded as our active user base increases. We modeled the capacity of our server based on three times the traffic of our historical peak volume. When the need arises, we can also easily add servers and deploy them into our existing server clusters.

Our technology layers have built in software and hardware backup capacity, and through anti-failure and test automation system, we ensure that our systems are able to automatically or semi-automatically switch when errors are detected. We build our platform on a distributed computing architecture with no single point of failure. In addition, our architecture supports multiple live copies of each data set along with snapshot capabilities for faster, point-in-time data recovery instead of traditional backup and restore methodologies. Our data processing architecture is hosted at a third-party Internet data center in Beijing.

In 2015, 2016 and 2017, we incurred RMB48.9 million, RMB162.7 million and RMB144.0 million, respectively, in research and development expenses. Such expenses reached RMB99.7 million and RMB165.6 million in the nine months ended September 30, 2017 and 2018, respectively.

Maoyan Research Institute and Big Data Analytical Capabilities

Our data assets are the backbone of our big data analytical capabilities. User behaviors such as online ticket purchases, movie ratings and commentaries and news views, generate huge amounts of data. As of September 30, 2018, our database included information on more than 800,000 movies, 120,000 TV series and 2.5 million industry professionals. We apply our artificial intelligence and big data analytical technologies to the large amounts of data generated over our platform and make analyses of users' preferences and needs for the purpose of more efficiently and effectively serving our users and business partners.

We have established the Maoyan Research Institute to focus on artificial intelligence and big data analysis. Such analysis mainly includes contextual analysis, which parses all data properties to understand the context and content of user behavior over our platform, and predictive analysis, which infers from the data collected through, and processed by, our contextual analysis engine.

Our artificial intelligence and big data analytical technologies are applied to our various services. We developed a user and content tagging system to decipher a user's demographic profile and provide customized services to users. For example, based on a comprehensive artificial intelligence study of user behavior data, we will be able to understand the preference of each user and accordingly make intelligent recommendations of the entertainment content they might enjoy through predictive analysis. Our understanding of each user's preferences further enables us to estimate more precisely a movie's potential audience and thus launch targeted promotional activities to either strengthen the purchase intention for the potential audience or create a motivated suggestion for the audience who were originally less likely to make a purchase. In addition, based on our data-backed insights into users, our proprietary anti-fraud algorithms help us identify and rule out fraudulent or manipulated user activities to maintain the integrity of our rating system. We were the first in the market to apply such capabilities to perform precise movie box office forecasting, which is a valuable reference for our cinema partners in their session arrangements, as well as for our business partners in the movie

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distribution, promotion and production business in formulating their promotion strategies. Maoyan Research Institute further performs in-depth, AI-empowered studies of the entertainment market, tracking big data related to the market reception of various entertainment content, promotional activities and general market trends. With our evolving knowledge of the entertainment market, we are able to provide market-oriented reference for entertainment content production. Such capabilities not only help our business partners carry out their respective operations in a more effective manner, but also help us manage our own investment risks and achieve better return. See “— Our Services — Entertainment Content Services.”

Data Protection

Our network configuration is secured at multiple layers to protect our databases from unauthorized access. We use sophisticated security protocols for communications among our mobile apps and website.

To protect our system against unauthorized access and other threats, we utilize a system of firewalls and maintain a demilitarized zone to separate our external-facing services from our internal systems. We conduct frequent reviews of our backup systems and system event log to ensure that they are well-maintained and functional. We have also implemented procedures such as regular system checks, password policies, user authorization reviews and approval and data backup, as well as data recovery tests, to safeguard our information assets and ensure the proper management of our operational data. We also have data disaster recovery procedures in place.

Privacy Protection

We pay close attention to privacy protection, as maintenance, storage and protection of user data are critical to our success. Sensitive user information, including purchase records, movie commentaries and other activities, is protected with robust encryption algorithms and stringent rules for data extraction and transmission. We have implemented relevant internal procedures and controls to ensure that user data is protected and that leakage and loss of such data can be avoided. We have formulated policies for data administration which set out the overall responsibilities and procedures for our staff to adhere to. We have set out specific internal procedures regarding the handling of information containing user data and intend to institute ethical standards in relation to user data protection. Violation of the relevant requirements can be traced via a system event log and will result in disciplinary action. The degree of access to and control of the information is determined by reference to the relevance to our staff’s roles and seniority. For activities requiring higher levels of confidentiality, multiple staff are required to be present. We have also implemented mechanisms such as responsibility rotation and segregation of duties among our data administration staff in daily operations. In the event of an information security breach, we conduct investigations and take damage control measures. In general, the user information that our employees can access is anonymized. We also hold training on data protection for our employees on a regular basis.

COMPETITION

We compete with other market players in various business operations along the entertainment industry value chain based on factors including brand recognition, size and engagement level of user

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base, service and content offerings, user experience, understanding of users and the market, financial resources, offline and partnership resources, marketing resources, technology and big data capabilities and ability to respond quickly and effectively to market trends. See “— Our Services” and “Industry Overview.”

In particular, we face market competition in the online movie ticketing industry where we primarily compete with certain key players such as Tao Piao Piao (淘票票) and Baidu Nuomi (百度糯米). Our competitors may have greater financial, technological or marketing resources compared to us. Such competition may pose challenges to our business operations, and materially and adversely affect our user base, market share and profitability. See “Risk Factors — Risks Relating to Our Business and Industries — If we are unable to compete effectively, our user base, market share and profitability may be materially and adversely affected.” Our revenue increased by 99.6% from RMB1,534.6 million in the nine months ended September 30, 2017 to RMB3,062.3 million in the nine months ended September 30, 2018. Meanwhile, our operating loss increased from RMB82.9 million for the nine months ended September 30, 2017 to RMB141.7 million for the same period in 2018. This was primarily attributable to a significant increase in our selling and marketing expenses in the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. Our selling and marketing expenses increased from RMB921.8 million in the nine months ended September 30, 2017 to RMB1,724.4 million in the nine months ended September 30, 2018, as we increased the use of user incentives around the Chinese New Year in 2018 to respond to the market competition and to strengthen our market leadership. See “Summary — Summary of Historical Financial Information — Selected Consolidated Income Statement Data” and “Financial Information — Description of Major Components of Our Results of Operations.”

Despite the intense market competition, we have maintained a strong market presence in the online movie ticketing industry. According to the iResearch Report, as the largest player, our market share was 44.6%, 41.9%, 47.1% and 61.3%, respectively, for 2015, 2016, 2017 and the nine months ended September 30, 2018, respectively, by GMV of movie tickets sold online in China. We believe that we are well-positioned to maintain and strengthen our market position, leveraging our established brand and strong relationships along the industry value chain spanning from the online entertainment ticketing services to various entertainment content services, and in particular, our strategic partners, Tencent and Meituan Dianping. Furthermore, our platform enjoys strong network effects, resulting in significant operating leverage. We believe that a solid and loyal user base is important to our platform and will continue to benefit us in the market competition. The self-reinforcing network effects on our platform and associated operating leverage allow us to compete effectively by expanding our service offerings to users and effectively engage and retain them. The strengthening of our user engagement also attracts more business partners, as our ability to provide potential business partners with user data intelligence and extensive user reach through our platform largely depends on the level of our user engagement and the size of our user base. As our business further expands, we believe our significant scale, coupled with the network effects, will allow us to acquire and retain users more cost-effectively and benefit from economies of scale. See “Financial Information — Major Factors Affecting Our Results of Operations.”

According to the iResearch Report, there was a trend of consolidation in the online movie ticketing service industry in China in recent years following a series of mergers and combinations of key market players, including the Weying Acquisition, and smaller players exiting the market. See

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“Industry Overview — Online Entertainment Ticketing — Competitive Landscape.” We expect that market competition in various aspects, including the use of user incentives and other marketing initiatives, will be further regulated and become more stable. We would actively respond to relevant laws and regulations which we believe will help create a healthier industry environment and in turn reduce our marketing and promotion expenses and further benefit our future development.

SALES AND MARKETING

We have a strong on-the-ground business development force in charge of establishing and maintaining relationships with business partners such as cinemas and event promoters, as well as cooperation with third-party platforms we work with to provide access to our services. As of September 30, 2018, our business development force comprised around 300 consultants, strengthening our connections with over 8,800 cinemas, over 2,000 event promoters and venue operators, and offline media. See “Financial Information — Description of Major Components of Our Results of Operations — Selling and Marketing Expenses.”

OUR CUSTOMERS

Our customers primarily include cinemas, entertainment content producers and distributors, and advertisers. Our major customers are cinemas and cinema circuits. Pursuant to the ticket sales agreements with cinemas, we typically act as a non-exclusive online ticketing service provider for tickets sold outside of cinemas. Cinemas determine the movie scheduling, ticket sale time frame and the ticket price. We receive the ticket price paid by the end customers on our platform, deduct service fees to us and subsequently settle with cinemas and the ticketing system companies. Our settlement periods with cinemas range typically from one week to one month. In certain cases, we may also provide prepayments for up to one month. See “— Our Services — Online Entertainment Ticketing Services — Movie Ticketing — Movie Ticketing Arrangements.”

In 2015, 2016, 2017 and the nine months ended September 30, 2018, revenue from our top five customers, which were all cinemas, accounted for 32.2%, 17.0%, 21.1% and 23.1% of our total revenue, respectively. In 2015, 2016, 2017 and the nine months ended September 30, 2018, revenue from our largest customer accounted for 9.7%, 5.7%, 7.5% and 8.4% of our total revenue, respectively. As we expanded our business during the Track Record Period, we established cooperation with more cinemas and therefore diversified our customer base.

We have a broad base of customers in general and do not believe we have customer concentration risks.

OUR SUPPLIERS

Our suppliers primarily include ticketing system companies who help establish and maintain our connection with cinemas’ ticketing systems. We generally enter into separate agreements with these ticketing system companies supplementary to our agreements with cinemas, to establish a connection between our platform and the ticketing system of each cinema and to ensure the smooth integration of its ticketing system into our network. The settlement period with ticketing system companies is typically one month. See “— Our Services — Online Entertainment Ticketing Services — Movie

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Ticketing — Movie Ticketing Arrangements.” In each of 2015, 2016, 2017 and the nine months ended September 30, 2018, the percentage of our purchases attributable to our five largest suppliers combined falls under 30%.

INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business and we devote significant time and resources to their development and protection. We protect our intellectual property rights through a combination of copyright, trademark and other intellectual property laws, as well as confidentiality and license agreements with our employees, suppliers, business partners and others. In general, our employees must enter into a standard employment contract which includes a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them on our behalf are our property, and assigning to us any ownership rights that they may claim in those works. Despite our precautions, however, third parties may obtain and use intellectual property that we own or license without our consent. During the Track Record Period, there was no breach of our intellectual property rights. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See “Risk Factors — Risks Relating to Our Business and Industries — We are subject to risks of piracy, copyright and trademark infringement.”

We did not have any material disputes or other pending legal proceedings of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

See “Appendix VI — Statutory and General Information” for details of our material intellectual property rights.

EMPLOYEES

As of September 30, 2018, we had 1,069 full-time employees, all of whom were based in China, primarily at our headquarters in Beijing, with the remainder in Shanghai and various other cities in China.

The following table sets forth a breakdown of our employees by business function as of September 30, 2018:

	<u>Number of Employees</u>	<u>Percentage</u>
Technology and Product	538	50.3%
Sales, Business Development and Marketing	378	35.4%
Management and Administration	153	14.3%
Total	<u>1,069</u>	<u>100.0%</u>

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We are committed to establishing a competitive, fair remuneration and benefits system. In order to effectively motivate our business development team through remuneration incentives and ensure that our employees receive competitive remuneration packages, we continually refine our remuneration and incentive policies through market research and comparison with our competitors. We conduct performance evaluations of our employees quarterly to provide those of feedback on their performance. Compensation for our employees typically consists of a base salary and performance-based and year-end bonuses.

As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing provident fund, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance.

We pay great attention to our employees' welfare and continually improve our welfare system. We offer employees additional benefits such as annual leave, supplementary medical insurance, health examinations and medical insurance for family members, among other things.

We provide regular and specialized trainings tailored to the needs of our employees in different departments. We regularly organize training sessions conducted by senior employees or outside consultants covering various aspects of our business operations including overall management, project execution and technical know-how. We constantly review the content of trainings and follow up with employees to evaluate the effect of such trainings. Through these trainings, we help our employees to stay up to date with both industry developments and skills and technologies. We also organize workshops from time to time to discuss specific topics.

During the Track Record Period, we did not have any strikes, protests or other material labor conflicts that may materially affect our business and image. As of the Latest Practicable Date, we had not established any labor union.

INSURANCE

In line with general market practices we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain key man life insurance, insurance policies covering damage to our network infrastructure or information technology systems, or any insurance policies for our properties. We also do not maintain insurance policies against risks relating to Contractual Arrangements.

During the Track Record Period, we did not make any material insurance claims in relation to our business. See "Risk Factors — Risks Relating to Our Business and Industries — We have not purchased any insurance to cover our main assets, properties and business and our limited insurance coverage could expose us to significant costs and business disruption."

ENVIRONMENTAL, HEALTH AND WORKPLACE SAFETY COMPLIANCE

We are not subject to significant health, safety or environmental risks. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

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PROPERTIES

Our corporate headquarter is located at Yonghe Hangxingyuan No.3, Hepingli East Street No.11, Dongcheng District, Beijing, China. As of the Latest Practicable Date, we did not own any properties. As of the Latest Practicable Date, we leased 11 properties in China, with an aggregate gross floor area of approximately 6,800 square meters. Our leased properties in China are primarily used for business and office purposes. The relevant lease agreements have lease expiration dates ranging from January 25, 2019 to June 7, 2036. A substantial majority of our landlords had obtained the relevant building ownership certificates for our leased properties in China.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local counterparts of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not obtained lease registration for certain properties we leased in China, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. The registration of such leases will require the cooperation of our lessors. We will take all practicable and reasonable steps to ensure that the unregistered leases are registered. Our PRC Legal Advisor has advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws, and has also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. As of the Latest Practicable Date, the estimated total maximum penalty was RMB100,000.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

Audio Visual License

To support our online movie ticketing services, we from time to time provide trailers and advertising videos on our platform, which are accessible by the customers free of charge. As such supporting services involve transmission of audio-video programs through the Internet, we are required to hold a Permit for Audio-Video Programs Transmitted through Information Network (“**Audio Visual License**”) under applicable PRC laws and regulations. According to applicable PRC laws and the current practice of relevant governmental authorities in the PRC, only companies wholly-owned or controlled by the state are eligible to apply for Audio Visual Licenses. In 2017, we were fined RMB5,000 by Beijing Culture Market Enforcement Team for having provided movie related videos through the Internet without any permission. After the incident, we engaged a service provider with the required license to provide trailer and advertising video display services for us.

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Based on the consultation with the State Administration of Radio and Television conducted by the legal representatives of the Company and of the Joint Sponsors in August 2018, our PRC Legal Advisor is of the view that the likelihood of us being subject to fines, regulatory actions or penalties because of the above practice is low.

Prepaid Card and Voucher Business and Past Settlement Practice

During the Track Record Period, we provided our customers with prepaid cards or vouchers, which could be redeemed for movie tickets and other services offered on our platform. Since the movie tickets and some of the services were offered by cinemas or other third-party vendors rather than by ourselves, our PRC Legal Advisor is of the view that our prepaid card and voucher business might have fallen within the definition of “multi-purpose prepaid cards” (多用途預付卡) under applicable PRC laws, and therefore, we could be deemed as having engaged in payment activities without license during the relevant period of time.

We previously settled the transactions on our platform by collecting payments from customers on behalf of cinemas or other third-party service providers. As advised by our PRC Legal Advisor, applicable PRC laws lack clear guidance in relation to such settlement practice; however, our past settlement practice may give rise to the risk of us being deemed as engaging in payment activities without license.

During the Track Record Period and up to the Latest Practicable Date, insofar as we are aware, our engagement in the prepaid card and voucher business and settlement practice had not been determined by the relevant authorities as “multi-purpose prepaid cards”, nor had we been determined by relevant PRC regulatory authorities as engaging or having engaged in payment activities without license.

We proactively undertook the following measures to mitigate the foregoing risk. As of the Latest Practicable Date, we had:

- (i) ceased to issue new prepaid cards and vouchers redeemable for tickets and services offered by cinemas or third-party vendors on our platform. Going forward, prepaid cards and vouchers issued by us will only be redeemable for tickets and services offered by us. In relation to the tickets and services offered by cinemas and other third-party vendors, we had engaged licensed third-party service providers to issue prepaid cards or vouchers; and
- (ii) changed our past settlement practice so that customers purchasing tickets and services offered by third-party vendors on our platform will make payments to a licensed payment service platform.

In view of our adjustment to the scope of products eligible for redemption as well as our change to the past settlement practice, our PRC Legal Advisor is of the view that the likelihood of us being subject to material penalties for have engaged in unlicensed payment activities is low.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties

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that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that, save as disclosed, we had complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

LICENSES, APPROVALS AND PERMITS

Except as disclosed in this prospectus, we have obtained all material licenses, permits, approvals and certificates that are material for our business operations in the PRC, and such licenses, permits, approvals and certificates are valid and subsisting.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations and we are dedicated to continually improving these systems.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as financial reporting, information system, internal control, human resources and investment management.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and financial department and staff management policies. We have various procedures in place to implement our accounting policies and our financial department reviews our management accounts based on such procedures. We also provide regular trainings to our financial department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Information System Risk Management

Sufficient maintenance, storage and protection of user data and other related information is critical to our success. We have implemented various internal procedures and controls to ensure that user data is protected and that the leakage and loss of such data are avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data.

Investment Risk Management

Our investment strategy is to invest in or acquire businesses that are complementary to our business, such as businesses that can expand our service offerings and strengthen our technological capabilities.

BUSINESS

With our surplus cash on hand, we make investments in wealth management products issued by banks in the PRC and in certain privately owned companies. Each investment decision is made based on comprehensive and sufficient discussions, considering factors such as market dynamics, competition, return expectations and risks involved.

Our investment department is responsible for monitoring our investment performance on a regular basis. Any material factors will be timely reported to the investment committee for further discussion.

We have established a set of investment policies and internal control measures which require us to continually monitor the market value of our investments as well as the market risks, in order to achieve reasonable returns on our investments while mitigating our exposure to investment risks.

These policies and measures require, among other things, that:

- we shall only purchase low-risk financial products from reputable licensed banks with established relationships with us;
- investment targets shall be evaluated based on a number of factors, including the condition of the relevant industries, the competitive strengths and potential of targets, expertise of management teams, estimated investment return and synergies with our existing businesses;
- individual investments exceeding RMB30 million, or multiple investments in one target/project within 12 months exceeding a total of RMB100 million, shall be reviewed and assessed by our Board; and
- investment projects shall be reviewed and assessed on a continual basis after initiation. The responsible departments shall promptly report to the management when any material operational, financial or other investment risk is discovered.

We believe that our internal policies regarding investments in financial products and related investment risk management mechanism are adequate to identify and mitigate our investment risk exposure. We may also from time to time review and update our investment policies as required by our development, the financial market and the economy and industry environment.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

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We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified thus are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors if necessary.

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our audit committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and their implementation are effective and sufficient.

RELATIONSHIP WITH ENLIGHT AND TENCENT

1. RELATIONSHIP WITH ENLIGHT

OVERVIEW

As at the Latest Practicable Date, Mr. WANG Changtian, our chairman and non-executive Director, was indirectly interested in our Company's issued share capital through the following entities: (i) Vibrant Wide Limited, which directly holds approximately 28.8% of the Shares and is directly wholly owned by Mr. WANG Changtian; and (ii) Hong Kong Pictures International Limited, which directly holds approximately 20.0% of the Shares and is a wholly owned subsidiary of Enlight Media. As at the Latest Practicable Date, Enlight Investment, a company which is owned by Mr. WANG Changtian as to 95% of its equity interests and his sister, Ms. WANG Jian, as to 5% of its remaining equity interests, holds approximately 44.1% of the equity interests of Enlight Media. Therefore, Enlight will not constitute the "Controlling Shareholder" of our Company under the Listing Rules.

DELINEATION OF BUSINESS AND COMPETITION

Business of our Group

We are a leading platform providing innovative Internet-empowered entertainment services in China. Our primary business comprise: online entertainment ticketing services, entertainment content services, e-commerce services and advertising services and others.

Business of Enlight Media

Enlight Media is a joint stock company with limited liability listed on the Shenzhen Stock Exchange (Stock Code: 300251). According to the 2018 interim report and other public filings of Enlight Media filed with the Shenzhen Stock Exchange (the "**Enlight Media 2018 Interim Report**"), (1) Enlight Media is primarily engaged in investment and production of entertainment content, including movie, TV series, comics and animation, video, music and literature, as well as movie and TV series promotion and distribution; (2) Enlight Investment made investments in Tianjin Maoyan Weying together with Enlight Media, and Mr. WANG Changtian and Enlight Investment have duly performed their non-compete obligations in favor of Enlight Media; and (3) Enlight Media had total assets of approximately RMB12,619.5 million as of June 30, 2018. Its total revenue was approximately RMB720.9 million for the six months ended June 30, 2018 and its profit excluding non-recurring gains and losses attributable to shareholders was approximately RMB226.0 million for the six months ended June 30, 2018.

Delineation between the Business of the Group and the Business of Enlight Media

Online Entertainment Ticketing Services

Enlight Media does not compete with our Group in providing online entertainment ticketing services. Online entertainment ticketing services contributed the majority of our total revenue during the Track Record Period. We believe that our leading market position has created significant barriers to entry: (i) building a large and highly engaged user base and strong recognition to further increase

RELATIONSHIP WITH ENLIGHT AND TENCENT

user base and user stickiness cost-effectively; (ii) deep cooperation relationships with business partners such as cinemas, movie producers, movie distributors, and venue operators and event promoters; and (iii) sophisticated technology infrastructure and big data capabilities to further enhance user experience and strengthen relationships with the business partners, thus it is not likely for a new player to enter into the online entertainment ticketing services industry in a short time with reasonable expenses. Enlight Media is currently not engaged in the online entertainment ticketing services business, and currently has no intention to compete with our Group in such field.

Movie and TV Series Business

As part of our entertainment content services business, our Group is engaged in movie and TV series production, promotion and distribution business (our “**Movie and TV Series Business**”). Enlight Media is also primarily engaged in investment and production of entertainment content (mainly including movies and TV series) (the “**Enlight Media’s Movie and TV Series Business**”). Our Directors are of the view that there is potential overlap between our Movie and TV Series Business and Enlight Media’s Movie and TV Series Business. However, our Directors are of the view that the potential competition, if any, between Enlight Media and us to be limited for the following reasons:

- (i) The business model of our Group and Enlight Media’s are different. We are an integrated entertainment platform which provides valuable services to industry participants including artists, producers, distributors, cinemas and theatres by leveraging on our data insights, internet-empowered tools and services, and online and offline resources to entertainment content providers and distributors; while the Enlight Media typically functioned as an experienced producer;
- (ii) We believe the relationship between Enlight Media and us in the movie and TV series industry is more akin to cooperation, rather than competition in substance. According to the iResearch Report, in situations where different market players in the PRC movie and TV series industry are presented with the same business opportunity for new movies and TV series, it is not uncommon for these market players to make co-investments during the production process and to jointly carry out the promotion and distribution activities at the later stage. Besides, co-production and cooperation in the promotion and distribution business create synergy effects with different parties’ resources and expertise in different aspects. According to the iResearch Report, on average, each of the top 10 movies in 2017 in terms of gross box office had more than 13 co-producers and 5 co-distributors. Similar to movies, each top 10 TV series in 2017 in terms of audience rating also had more than 5 co-producers and 5 co-distributors on average; and
- (iii) The large and growing movie and TV series market in China presents ample opportunities to all market players. The movie and TV series industry in China is large and fast growing with high potential. According to the iResearch Report, China’s movie market is the second largest in the world, with a gross box office of RMB48.9 billion in the nine months ended September 30, 2018, and it is in a midst of rapid growth. According to the iResearch Report, China’s movie industry increased at a CAGR of 29.2% from 2012 to 2017 with a market size of RMB76.1 billion, and it is expected to further grow at a rate of 20.2% and reach

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RMB190.9 billion by 2022. China's TV series, web series, web movies and variety shows industry is fast growing as well, which has grown from RMB57.5 billion in 2012 to RMB139.0 billion in 2017 and is expected to reach RMB282.3 billion in 2022. According to the iResearch Report, 1,284 movies and TV series were produced and 475 movies were released in China in 2017. Therefore, each of these markets is significant in size and fragmented with a large number of market players.

Based on the above, our Directors are of the view that the risk of potential competition between our Movie and TV Series Business and Enlight Media's Movie and TV Series Business is limited, and it is also unlikely for such potential competition to materially adversely affect the Group.

In addition, our Directors believe that Enlight Media is unable to inject Enlight Media's Movie and TV Series Business into our Group for the following reasons:

- (i) As Enlight Media is a company listed on the Shenzhen Stock Exchange, the operational and investment decisions of Enlight Media are made by its directors and management teams. According to the PRC laws, a director of a PRC incorporated company shall act in the best interest of the company with respect to the affairs of the company and shall not conduct any act solely with a view to protect the interest of the shareholder who nominated him or her. Directors of Enlight Media shall also comply with the rules of the Shenzhen Stock Exchanges, including those relating to equal treatment of shareholders and the operational independence of a listed company, and shall seek independent shareholders' approval on certain matters, in particular those relating to connected party transactions in which its controlling shareholder has a material interest, including decisions on whether or not to inject any business into our Group and whether or not to compete with our Group. Therefore, it is practically unattainable to obtain any undertaking from Enlight Media with respect to inclusion of the business of Enlight Media into our Group or any non-competition undertaking from Enlight Media in favor of our Group; and
- (ii) Enlight Media has been conducting Enlight Media's Movie and TV Series Business since 2006, long before it made the investment in our Group in 2016. At the time when Enlight Media made investment in our Group, our principal business was provision of online entertainment ticketing services, and thereafter we gradually expanded into the entertainment content services business. It is therefore unreasonable for Enlight Media to inject its principal business into our Group.

Save as mentioned above, there is no other business retained or operated by Mr. WANG Changtian and Enlight Media, which competes or is likely to compete with the core business of our Group.

COMPETING INTERESTS OF DIRECTORS

Other than the equity interests in Enlight Media held by Mr. WANG Changtian as disclosed above, and the directorship and/or management positions in Mr. WANG Changtian's close associated companies, and Enlight Media and its close associates held by our Directors, Mr. WANG Changtian, Ms. LI Xiaoping, Ms. WANG Jian and Mr. CHEN Shaohui, as disclosed below, and the competing

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interests as disclosed in the section headed “Directors and Senior Management”, our Directors have confirmed that they did not have any interests in any business, which directly or indirectly competes or is likely to compete with our business under Rule 8.10(2) of the Listing Rules as at the Latest Practicable Date.

INDEPENDENCE FROM ENLIGHT

Having considered the following factors, our Directors are satisfied that our business will function independently from Mr. WANG Changtian, Enlight Media and their respective close associates after the Global Offering.

Operational Independence

We are in possession of all domain names and technology relating to our Group’s business and have obtained relevant requisite qualifications and approvals for conducting all our business in all material respects. Currently, we engage in our Group’s business independently, with the independent right to make operational decisions and implement such decisions. We have independent access to customers and suppliers and are not dependent on Mr. WANG Changtian, Enlight Media or their respective close associates for significant amount of our revenue, product development, staffing or marketing and sales activities, and we have sufficient capital, equipment and employees to operate our business independently from Mr. WANG Changtian, Enlight Media and their respective close associates.

We have our own organizational structure with independent departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

We entered into certain continuing connected transactions with Enlight Media in relation to movie and TV series production, movie and TV series promotion and distribution as well as business collaboration and services, including the Enlight Movie and TV Series Production Cooperation Framework Agreement, the Enlight Movie and TV Series Promotion and Distribution Framework Agreement, the Enlight Business Collaboration and Service Framework Agreement. For more details, see “Connected Transactions — I. Continuing Connected Transaction with the Enlight Media Group.” However, these transactions do not contribute substantial proportions of our total revenue or cost of revenue.

For the nine months ended September 30, 2018, the movies and TV series jointly produced by us and Mr. WANG Changtian, Enlight Media and their respective close associates only represent 8.7% of all movies and TV series produced by us in terms of the investment amount. For the nine months ended September 30, 2018, our revenue from Mr. WANG Changtian, Enlight Media and their respective close associates, which mainly comprised of fees for movie and TV series promotion and distribution services, was approximately RMB102.5 million, representing only 3.3% of our total revenue of the period; our cost of revenue attributable to Mr. WANG Changtian, Enlight Media and their respective close associates, which mainly comprised of advertising service fees, was approximately RMB0.9 million, representing only 0.1% of our total cost of revenue of the period. Moreover, as such transactions were entered into on non-exclusive basis, our Directors consider that, even if such agreements are terminated, our Company will be able to identify other suitable partners through arm’s length negotiations on terms and conditions in line with the market terms to meet our business and operational needs without causing any undue delay or suspension in operations.

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Based on the above, our Directors are of the view that the Company operates independently from Mr. WANG Changtian, Enlight Media and their respective close associates.

Financial Independence

We have established an independent finance department with a team of independent financial staff responsible for discharging treasury accounting, reporting and internal control functions independently from Mr. WANG Changtian, Enlight Media and their respective close associates. We have a sound and independent financial system and make financial decisions independently according to our Group's own business needs. We make tax filings and pay taxes independently of Mr. WANG Changtian, Enlight Media and their respective close associates pursuant to applicable laws and regulations.

As of the Latest Practicable Date, we have settled all amounts due to or from Mr. WANG Changtian, Enlight Media and their respective close associates of a non-trade nature and have released all guarantees provided for our benefit by Mr. WANG Changtian, Enlight Media and their respective close associates or provided for the benefit Mr. WANG Changtian, Enlight Media and their respective close associates by us. We have adequate internal resources to support our daily operations, and we are able to obtain financing from financial institutions independently without support from Mr. WANG Changtian, Enlight Media and their respective close associates.

Based on the above, our Directors are of the view that our Group is capable of conducting our business independently from Mr. WANG Changtian, Enlight Media and their respective close associates from a financial perspective and are able to maintain financial independence from Mr. WANG Changtian, Enlight Media and their respective close associates.

Management Independence

Upon the completion of the Global Offering, our Board of Directors will comprise 11 Directors, including one executive Director, six non-executive Directors and four independent non-executive Directors. For further information, please see "Directors and Senior Management."

Despite Mr. WANG Changtian serves as our non-executive Director and certain of our non-executive Directors also hold positions and interests in Mr. WANG Changtian's close associated companies, and Enlight Media and its close associates, our Directors believe that our Board as a whole and our management team are able to operate our business and managing all actual or potential conflicts of interest independently of Enlight Group for the following reasons:

- (i) Our executive Director and all our senior management members, who did not hold any management position and/or directorship in Enlight Group as of the Latest Practicable Date, are responsible for the day-to-day operation of our Company;

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- (ii) Except for our non-executive Directors, Mr. WANG Changtian, Ms. LI Xiaoping, Ms. WANG Jian and Mr. CHEN Shaohui (who served as directors and/or senior management of various entities of Mr. WANG Changtian's close associated companies, and Enlight Media and its close associates as of the Latest Practicable Date), there will not be any overlap between Mr. WANG Changtian's close associated companies, and Enlight Media and its close associates and our Company in terms of directors and senior management. Mr. WANG Changtian, Ms. LI Xiaoping, Ms. WANG Jian and Mr. CHEN Shaohui are not involved in the day-to-day management and operations of our business. Their principal roles will be providing professional advice and participating in the decision-making process of significant matters, such as our operational strategies.
- (iii) All of our four independent non-executive Directors are independent of Mr. WANG Changtian, Enlight Media and their respective close associates and have extensive experience in their respective areas of expertise. See "Directors and Senior Management." All our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions.

Each of our Directors is fully aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist.

Upon the completion of the Global Offering, our Company will adopt the following corporate governance measures to identify and manage potential conflicts of interest. Therefore, the Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Shareholders as a whole:

- (i) The decision-making mechanism of the Board as set out in the Memorandum and Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that Directors who are connected with the corporations involved in the matters to be resolved at the Board meeting shall neither vote on such resolution nor vote on behalf of other Directors;
- (ii) The independent non-executive Directors of our Company shall give their independent opinions to the Shareholders on the relevant connected transaction(s) pursuant to the Listing Rules;
- (iii) Our Directors shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal with Mr. WANG Changtian, Enlight Media and their respective close associates in which they have a material interest. In such a situation, our Directors who do not have close relationship with or any ongoing role with Mr. WANG Changtian, Enlight Media and their respective close associates will vote and decide on such matters. In this context, a conflict, so far as our Company is concerned, will be taken to include any matter in which Mr. WANG Changtian, Enlight Media and their respective close associates have a direct or indirect interest;

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- (iv) Our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 to the Listing Rules;
- (v) Any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules; and
- (vi) Our Company has appointed Guotai Junan Capital Limited as our compliance adviser and will appoint a Hong Kong legal adviser upon completion of the Global Offering, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Therefore, the Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of the Company and our Shareholders as a whole.

Based on the above, the Directors believe that the Company is capable of maintaining management independence from Mr. WANG Changtian, Enlight Media and their respective close associates .

2. RELATIONSHIP WITH TENCENT

Immediately following the completion of the Global Offering and full conversion of 2018 CB into our Shares based on the low end of the Offer Price range, Tencent, through its wholly owned subsidiary Image Flag Investment (HK) Limited, will be interested in approximately 13.96% of our issued share capital assuming the Over-allotment Option is not exercised, therefore Tencent will not constitute the "Controlling Shareholder" of our Company under the Listing Rules.

Tencent is a limited liability company organized and existing in the Cayman Islands and its shares have been listed on the main board of the Stock Exchange since June 16, 2004 with stock code 700. Tencent is principally engaged in the provision of value-added services and online advertising services to users in the PRC. Tencent's value-added services business mainly consists of community value-added services and applications across various Internet, mobile platforms and provision of online/mobile games. Tencent is also a leading provider of social network services in the PRC, including Qzone, QQ and Weixin.

Delineation between the business of the Group and Business of Tencent

Our businesses and those of Tencent have distinct differences in terms of business focus and strategy and our Directors are of the view that there is no competition between our Group and Tencent which is or is likely to be material in nature. A summary of our Group's relationship with Tencent Group in our main business lines is set out below:

RELATIONSHIP WITH ENLIGHT AND TENCENT

1. *Online Entertainment Ticketing Services*

Online entertainment ticketing services is our core business which contributed majority of our total revenue during the Track Record Period. We are also the sole provider of entertainment ticketing services on Weixin and QQ Wallet, both of which are top online social networks in China. For further details on our business cooperation with Tencent, see “Business — Our Strategic Partners”. Tencent had also undertaken not to compete with our Group in the online entertainment ticketing services business as long as it holds more than 5% of our Company’s issued share capital. Furthermore, as disclosed in this section above (see “1. Relationship with Enlight—Delineation of Business and Competition — Delineation between the Business of the Group and the Business of Enlight Media”), online entertainment ticketing services business is not a core business of Tencent and is a business with a relatively high market entry barrier thus it is not likely for a new player to enter into online entertainment ticketing services in a short time with reasonable expenses, our Directors are of the view that there is no and it is not likely to have any potential competition between our Group and Tencent in online entertainment ticketing services.

2. *Movie and TV Series Business*

We are an integrated entertainment platform which provides valuable services to industry participants including artists, producers, distributors, cinemas and theatres, by leveraging on our data insights, internet empowered tools and offline resources to entertainment content providers and distributors.

As part of our entertainment content services, our Group is engaged in movie and TV series production, promotion and distribution services. Tencent may from time to time also be engaged in investment, production and release of movies and TV series (the “**Tencent’s Movie and TV Series Business**”). Therefore, there is potential overlap between our Group’s Movie and TV Series Business and Tencent’s Movie and TV Series Business.

However, given that (i) we believe the relationship between the two parties in the movie and TV series industry is more akin to cooperation, rather than competition in substance; and (ii) according to the iResearch Report, the large and fast growing movie and TV series market is fragmented with a large number of market players (see “1. Relationship with Enlight — Delineation of Business and Competition — Delineation between the Business of the Group and the Business of Enlight Media”), our Directors are of the view that the risk of direct competition between the Group and Tencent is limited in practice.

3. *Other Business*

We are also engaged in e-commerce services and advertising services to generate a small portion of our revenue. Given Tencent’s leading position in the PRC Internet and social network industry, there may from time to time be situation where we may compete for e-commerce services fees and online advertising services fees against Tencent. However, given the fact that (i) our e-commerce services business only accounted for approximately 0.3%, 1.1%, 5.0% and 5.2% of our revenue for the three years ended December 31, 2015, 2016 and 2017, and the nine months ended September 30, 2018, respectively and our advertising services and others business only accounted for approximately 0.1%,

RELATIONSHIP WITH ENLIGHT AND TENCENT

4.7%, 3.1% and 5.2% of our revenue for the three years ended December 31, 2015, 2016 and 2017, and the nine months ended September 30, 2018, respectively, which are insignificant as compared to our total revenue; and (ii) unlike Tencent which has a broad user base and therefore does not confine itself to any specific theme or feature or target any specific group of audience with respect to the advertisements placed on its platforms or target any specific group of customers with respect to the e-commerce services, we strategically select only those advertisements that may appeal to our customers and e-commerce services which are ancillary to our core businesses.

Cooperation with Tencent

We are an important strategic partner of Tencent in China's entertainment industry. For instance, through our strategic partnership with Tencent, we are one of the few platforms embedded in Weixin Pay and QQ Wallet portals and the only one for movies, live shows and sports. Tencent expresses its interest in deepening its relationship with us through exploring more extensive business cooperation. In addition, while the rules and regulations in Hong Kong generally do not permit existing substantial shareholders of a listing applicant to participate in its initial public offering, Tencent may purchase securities of our Company in the future in compliance with all applicable laws, regulations and rules. In September 2017, we entered into a five-year strategic partnership with Tencent, pursuant to which we cooperate with Tencent as their preferred partner in the entertainment industry. For further details, see "Business—Our Strategic Partners". We also entered into certain continuing connected transactions with Tencent in relation to movie and TV series production, movie and TV series distribution, payment services, cloud services as well as business collaboration and services. For more details, see "Connected Transaction—III. Continuing Connected Transactions with the Represented Tencent Group."

Having considered the following factors, our Directors believe that we have been operating our business independently from Tencent:

1. Tencent is a leading provider of Internet value-added services

Tencent is a leading provider of Internet value-added services and operates the top social networking applications in the PRC. As the sole operator of entertainment ticketing channels on Tencent's *Weixin* and *QQ*, we benefit from Tencent's vast user base. At the same time, China's social network platform is dominated by a few players. We believe our cooperation with Tencent is mutually beneficial to each other. In addition, we also developed cooperation with online platforms other than Tencent.

2. We have our own platforms to deliver our products and services

We operate our own user engagement platform, mainly including *Maoyan* and *Gewara*, to provide online entertainment ticketing services for movies and entertainment events along with value-added services in relation to the online ticketing business, including refund and exchange services, food and beverages sales, movie merchandise sales and membership subscription. For further details, see "Business — Our Platform." We actively research and develop products and services to optimize the user experiences. In addition, we also provide services to various business partners along the value chain in our entertainment content services. See "Business — Our services."

RELATIONSHIP WITH ENLIGHT AND TENCENT

3. *Revenue and cost of revenue from Tencent is relatively low*

Our revenue and cost of revenue from Tencent is minimal. For the nine months ended September 30, 2018, our revenue from Tencent, which mainly comprised of fees for ticketing, vouchers, wechat open class and IP authorization, was approximately RMB0.3 million, representing less than 0.01% of our total revenue of the period, and we incurred cost of revenue amounting to approximately RMB38.4 million attributable to Tencent, which mainly comprised of fees for cloud and payment services, representing only 3.5% of our total cost of revenue of the period. With respect to the continuing connected transactions with Tencent, as such transactions were entered into on non-exclusive basis and do not contribute substantial proportions of our total revenue or cost, even if such agreements are terminated, our Company will be able to identify other suitable partners through fair consultation on terms and conditions in line with the market terms to meet our business and operational needs without causing any undue delay.

CONNECTED TRANSACTIONS

Upon Listing, transactions between members of our Group and our connected persons will constitute connected transactions or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

SUMMARY OF OUR CONNECTED PERSONS

The table below sets forth parties who will become our connected persons upon Listing and the nature of their relationship with our Group. We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon Listing:

Name	Connected Relationship
Enlight Media	associate of Mr. WANG Changtian, our substantial shareholder
Weying (BVI) Limited	our substantial shareholder
Tencent Computer	subsidiary of Tencent, our substantial shareholder

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31 (RMB in millions)		
			2019	2020	2021

I. Continuing Connected Transactions with the Enlight Media Group

Non-exempt continuing connected transactions

1. Enlight Movie and TV Series Production Cooperation Framework Agreement	14A.34 14A.35 14A.36 14A.76 14A.105	Announcement and independent Shareholders' approval requirements	136.0	185.0	245.0
2. Enlight Movie and TV Series Promotion and Distribution Framework Agreement					
2(a). Provision of Movie and TV Series Promotion and Distribution Services by Our Group to the Enlight Media Group	14A.34 14A.35 14A.36 14A.76 14A.105	Announcement and independent Shareholders' approval requirements	240.0	290.0	350.0

CONNECTED TRANSACTIONS

Nature of transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31 (RMB in millions)		
			2019	2020	2021
2(b). Provision of Movie and TV Series Promotion and Distribution Services by the Enlight Media Group to Our Group	14A.34 14A.35 14A.76 14A.105	Announcement requirement	50.0	80.0	130.0
3. Enlight Business Collaboration and Services Framework Agreement					
3(a). Provision of products and services by the Group to the Enlight Media Group	14A.34 14A.35 14A.76 14A.105	Announcement requirement	7.6	9.1	10.9
3(b). Provision of products and services by the Enlight Media Group to our Group	14A.34 14A.35 14A.76 14A.105	Announcement requirement	11.0	13.0	15.3

II. Continuing Connected Transaction with the Weying Group

Non-exempt continuing connected transaction

4. Weying Business Collaboration and Services Framework Agreement	14A.34 14A.35 14A.76 14A.105	Announcement requirement	31.0	5.0	0
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III. Continuing Connected Transactions with the Represented Tencent Group

Non-exempt continuing connected transactions

5. Tencent Movie and TV Series Promotion and Distribution Framework Agreement	14A.34 14A.35 14A.76 14A.105	Announcement requirement	11.0	13.2	15.8
6. Payment Services Cooperation Framework Agreement	14A.34 14A.35 14A.76 14A.105	Announcement requirement	54.0	67.0	86.0

CONNECTED TRANSACTIONS

Nature of transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31 (RMB in millions)		
			2019	2020	2021
7. Cloud Services and Technical Services Framework Agreement	14A.34 14A.35 14A.76 14A.105	Announcement requirement	33.0	66.0	93.0
8. Tencent Business Collaboration and Services Framework Agreement					
8(a). Provision of products and services by our Group to the Represented Tencent Group	14A.34 14A.35 14A.76 14A.105	Announcement requirement	37.2	44.6	53.6
8(b). Provision of products and services by the Represented Tencent Group to our Group	14A.34 14A.35 14A.76 14A.105	Announcement requirement	16.0	24.0	33.3
9. Tencent Entertainment Content Production Cooperation Framework Agreement	14A.34 14A.35 14A.36 14A.76 14A.105	Announcement and independent Shareholders' approval requirements	226.0	286.0	353.4
IV. Contractual Arrangements:					
10. Contractual Arrangements	14A.34 14A.35 14A.36 14A.49 14A.53 to 59 14A.71 14A.105	Announcement and independent Shareholders' approval requirements, the requirement of setting an annual cap and the requirement of limiting the term of the Contractual Arrangements to three years or less	N/A	N/A	N/A

CONNECTED TRANSACTIONS

I. CONTINUING CONNECTED TRANSACTIONS WITH THE ENLIGHT MEDIA GROUP

Non-Exempt Continuing Connected Transactions

1. **Enlight Movie and TV Series Production Cooperation Framework Agreement**

Parties

*Our Company; and
Enlight Media*

Principal terms

We entered into a movie and TV series production cooperation framework agreement with Enlight Media (for itself and on behalf of its subsidiaries (the “**Enlight Media Group**”)) (the “**Enlight Movie and TV Series Production Cooperation Framework Agreement**”) on December 10, 2018, pursuant to which we and the Enlight Media Group agreed to make joint investments in production of movies and TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels). Forms of cooperation under the Enlight Movie and TV Series Production Cooperation Framework Agreement include but are not limited to the following:

- our Group and the Enlight Media Group will enter into an investment agreement with third party producers of the same movie or TV series; and
- either party (as a co-producer) will enter into an investment agreement with the other party (as a lead producer) to purchase a certain percentage of investment amount.

The aforementioned cooperation shall exclude any transactions which involve the formation of a joint venture entity in connection with or for the purpose of the joint investment in production of movies and TV series.

The initial term of the Enlight Movie and TV Series Production Cooperation Framework Agreement will commence on the Listing Date and end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

Separate underlying agreements will be entered into which will set out the precise investment amount, investment proportion, investment return distribution, payment method and other details of the arrangements in the manner provided in the Enlight Movie and TV Series Production Cooperation Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on a fair and reasonable basis after arm’s length negotiation between the parties taking into account various factors such as resources contribution (including intellectual property rights) and financial commitments (investment amounts, other costs and expenses incurred, etc.)

CONNECTED TRANSACTIONS

Reasons for the transaction

We participate in movie and TV series production to capitalize on the success of such movies and TV series. Due to the capital requirements involved in the production of movies and TV series, it is a general market practice in the industry for several investors and producers to make co-investment in movie and TV series production. In addition, co-production creates synergies through the pooling of different producers' resources and expertise in different aspects, which would facilitate the whole process of the movie and TV series production. The Enlight Media Group is a leading player in the movie and TV series production industry in the PRC, and is principally engaged in production of high quality movies and TV series. The cooperation through joint investment between the Enlight Media Group and our Group has been, and is expected to remain, a mutually beneficial cooperation arrangement. Leveraging the Enlight Media Group's market position and extensive investment experience in the relevant field, and the Group's data insights of consumer preferences and promotion and distribution capabilities, it is expected that the parties can enjoy competitive advantages through the cooperation.

Pricing policies

Both parties have agreed that the investment amounts, investment proportion and revenue/profit sharing mechanism for each definitive agreement that will be entered into pursuant to the Enlight Movie and TV Series Production Cooperation Framework Agreement will be determined on a case-by-case basis, and on a fair and reasonable basis with reference to factors such as evaluation of the prospects of the movies or the TV series, ownership of the copyrights, costs and expenses involved in the development, and resources to be contributed by parties. Generally, unless otherwise agreed by the parties, our Group's investment return (being the portion out of the total returns generated by the jointly invested movies and TV series) shall be determined with reference to our investment proportion. Prior to entering into any definitive agreement pursuant to the Enlight Movie and TV Series Production Cooperation Framework Agreement, we (including the committee comprises of our senior management and relevant department heads) will assess our needs and will compare the revenue/profit sharing mechanism proposed by the Enlight Media Group against the terms proposed by other comparable movies and TV series producers who are Independent Third Parties (if applicable). We will only enter into definitive agreements in respect of movies and TV series production cooperation with the Enlight Media Group when the revenue/profit sharing mechanism is in line with or more advantageous than the mechanism offered by other comparable existing or potential cooperation partners, and entering into the definitive agreement is in the best interest of our Company and our Shareholders as a whole.

Historical amounts

We commenced the cooperation in movie production with the Enlight Media Group in 2016. For the years ended December 31, 2016 and 2017, and the nine months ended September 30, 2018, the aggregate amounts of investment contributed by our Group to movies jointly invested with the Enlight Media Group were approximately RMB4.0 million, RMB1.6 million and RMB8.0 million, respectively.

CONNECTED TRANSACTIONS

We commenced the cooperation in TV series production with the Enlight Media Group in the first half of 2018. For the nine months ended September 30, 2018, the aggregate amount of investment contributed by our Group to TV series jointly invested with the Enlight Media Group was approximately RMB30.2 million.

Annual caps

The following table sets forth the proposed annual caps under the Enlight Movie and TV Series Production Cooperation Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2019	2020	2021
	(RMB in million)		
Investment amount to be contributed by our Group to movies and TV series jointly invested with the Enlight Media Group	136.0	185.0	245.0

Basis of caps

The following table sets forth the breakdown of the proposed annual caps under the Enlight Movie and TV Series Production Cooperation Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2019	2020	2021
	(RMB in million)		
Investment by our Group in the movies jointly invested with the Enlight Media Group	46.8	65.0	85.0
Investment by our Group in the TV series jointly invested with the Enlight Media Group	89.2	120.0	160.0

When estimating the annual caps of investment to be contributed by our Group to movies jointly invested with the Enlight Media Group, our Directors have taken into consideration the following factors:

- (i) the aggregate amount of our joint investment in movies with the Enlight Media Group for the nine months ended September 30, 2018 was approximately RMB8.0 million;
- (ii) our total investment amount in one movie usually ranges from approximately RMB5.0 million to RMB20.0 million based on our experience. We plan to invest in forty to fifty movies in 2019, including four to five movies to be jointly invested with the Enlight Media Group. We are currently under negotiations to enter into a letter of intent with the Enlight Media Group on such arrangements;

CONNECTED TRANSACTIONS

- (iii) an estimated growth rate of approximately 30-40% for the annual caps for each of the three years ending December 31, 2021. The growth rate was estimated with reference to (i) the anticipated growth of China's movie industry, which, according to the iResearch Report, increased at a CAGR of 29.2% from 2012 to 2017, and is expected to further grow at a CAGR of 20.2% by 2022; and (ii) the fact that we are only a new player in the industry, and therefore, we expect our initial growth rates to be above the industry average; and
- (iv) our continue expansion of our movie production business which is consistent with the fast growing movie industry in the PRC.

When estimating the annual caps of investment to be contributed by our Group to TV series jointly invested with the Enlight Media Group, our Directors have taken into consideration the following factors:

- (i) the aggregate amount of our joint investment in TV series with the Enlight Media Group for the nine months ended September 30, 2018 was approximately RMB30.2 million;
- (ii) the level of our involvement in the TV series production business. According to the iResearch Report, in 2018, the average investment amount of one episode of a high-quality TV series ranged from approximately RMB2.5 million to RMB7.5 million. Assuming that each TV series has forty episodes, the total investment amount of one TV series, which will be shared by several co-producers, will range from approximately RMB100 million to RMB300 million;
- (iii) as of the Latest Practicable Date, we are considering to jointly invest in one more TV series of around 20 episodes with the Enlight Media Group in 2019. Our investment amount for this TV series is expected to be approximately RMB34.0 million. We also plan to jointly invest with the Enlight Media Group and other independent third parties in another two TV series of 30 to 40 episodes in 2019, and as our collaboration with the Enlight Media Group continues, we plan to jointly invest in four TV series of similar length in 2020 and five TV series of similar length in 2021; and
- (iv) an estimated growth rate of approximately 35% for the annual caps for each of the three years ending December 31, 2021. The growth rates were estimated with reference to (i) the anticipated growth rate of the TV series, web series, web movies and variety shows market in China and the condition of our Company. According to the iResearch Report, the TV series, web series, web movies and variety shows market in China increased at a CAGR of 19.3% from 2012 to 2017, and it is expected to further grow at a CAGR of 15.2% by 2022; and (ii) the fact that we only commenced the cooperation in TV series production with the Enlight Media Group from the first half of 2018, and therefore we expect our initial growth rates to be above the industry average.

CONNECTED TRANSACTIONS

Listing Rules implications

In respect of the transactions under the Enlight Movie and TV Series Production Cooperation Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

2. **Enlight Movie and TV Series Promotion and Distribution Framework Agreement**

Parties

*Our Company; and
Enlight Media*

(a) Provision of Movie and TV Series Promotion and Distribution Services by Our Group to the Enlight Media Group

Principal terms

We entered into a movie and TV series promotion and distribution framework agreement with Enlight Media (for itself and on behalf of its subsidiaries) (the “**Enlight Movie and TV Series Promotion and Distribution Framework Agreement**”) on December 10, 2018, pursuant to which our Group will provide movie and TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels) promotion and distribution services to the Enlight Media Group, and service fees will be paid to us in respect of such services.

- Movies and TV series promotion services: we will plan and coordinate various marketing and promotional activities to optimize the performance of movies and TV series, including but not limited to, conducting marketing and publicity campaigns as well as organizing fans gatherings and road shows.
- Movies and TV series distribution services: we will coordinate the distribution of marketing materials to cinemas and TV stations, configure marketing strategies and release plans, monitor box office performance and market feedback of movies and TV series.

The initial term of the Enlight Movie and TV Series Promotion and Distribution Framework Agreement will commence on the Listing Date and end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

CONNECTED TRANSACTIONS

Separate underlying agreements will be entered into which will set out the precise scope of services, service fees, payment method and other details of the service arrangement in the manner provided in the Enlight Movie and TV Series Promotion and Distribution Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties taking into account various factors such as the prospects of relevant movies and TV series, and our Group's resources contribution, costs and expenses incurred in providing such promotion and distribution services.

Reasons for the transaction

The Enlight Media Group is a leading player in the movies and TV series production industry in the PRC and is principally engaged in production of high quality movies and TV series, which has demand for movies and TV series promotion and distribution services. We are a leading platform of Internet-empowered entertainment services, and we provide promotion and distribution services to a large number of business partners in the PRC (which includes the Enlight Media Group).

Pricing policies

Both parties have agreed that the fees for services contemplated under the Enlight Movie and TV Series Promotion and Distribution Framework Agreement will be determined on a case-by-case basis and on a fair and reasonable basis, in particular:

- **Movie and TV series promotion services:** the service fees for movie and TV series promotion services will be determined by taking into account our Group's resources contribution to the promotion services. For offline resources, the service fees will be determined by the actual costs and expenses for preparing relevant publicity campaigns plus reasonable profits, while the service fees for using online resources will be calculated by the unit prices of different online publicity resources multiplied by frequency such resources are used. The unit prices of each online publicity resources will be determined with reference to market rates.
- **Movie and TV series distribution services:** the service fees for movie and TV series distribution service will either be:
 - (1) a predetermined fixed amount with reference to the expected box office or sales revenue agreed by both parties; or
 - (2) calculated based on the box office of movies or sales revenue of TV series in accordance with the following formula:

for movies: Distribution service fees = revenue-sharing box office * distribution service fees rate

for TV series: Distribution service fees = sales revenue * distribution service fees rate

CONNECTED TRANSACTIONS

Note: The revenue-sharing box office refers to the box office of the movie distributed after deduction of value-added tax, National Film Development Fund Contribution and the revenue distribution to cinemas. The value-added tax and National Film Development Fund Contribution represent a fix percentage of the box office, while the revenue distribution to cinemas shall represent an agreed proportion of net box office, which equals to the box office after deduction of value-added tax and National Film Development Fund Contribution, to be paid to cinemas. Sales revenue shall refer to the total purchase price of the TV series paid. The distribution service fees rate will be determined with reference to market rates.

Prior to entering into any definitive agreement pursuant to the Enlight Movie and TV Series Promotion and Distribution Framework Agreement, we will assess and compare the fee structure and pricing terms (if applicable) proposed by members of the Enlight Media Group with the prevailing market rates. We will only enter into definitive agreements in respect of movie and TV series promotion and distribution services with such members of the Enlight Media Group when the fee structure and pricing terms, as a whole, is in line or better than the prevailing market rates and the definitive agreement is in the best interest of our Company and our Shareholders as a whole.

(b) *Provision of Movie and TV Series Promotion and Distribution Services by the Enlight Media Group to Our Group*

Principal terms

Pursuant to the Enlight Movie and TV Series Promotion and Distribution Framework Agreement, the Enlight Media Group will also provide movie and TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels) promotion and distribution services to our Group, and we will pay service fees to the Enlight Media Group. The principal terms are substantially the same as the terms on which we provide movie and TV series promotion and distribution services to the Enlight Media Group.

Reasons for the transaction

The Enlight Media Group is a leading player in the movie and TV series production industry in the PRC who promote a large number of high quality movies and TV series. Its strong control on movies and TV series it produced enables it to easily move downstream and develop its movie and TV series promotion and distribution business. As we move upstream to the content production business and produce more and more high-quality movies and TV series in the future, it is expected that the Enlight Media Group will provide movie and TV series promotion and distribution services to us.

Pricing policies

The pricing policies are substantially the same as those under which we provide movie and TV series promotion and distribution services to the Enlight Media Group.

CONNECTED TRANSACTIONS

Historical amounts

We began to provide movies and TV series promotion and distribution services to the Enlight Media Group in 2016. For the years ended December 31, 2016 and 2017, and the nine months ended September 30, 2018, the aggregate amounts of fees relating to movie and TV series promotion and distribution services we provided paid/payable by the Enlight Media Group to our Group were approximately RMB19.6 million, RMB113.0 million and RMB105.6 million, respectively.

The Enlight Media Group commenced to provide movies and TV series promotion and distribution services to us in 2017. For the year ended December 31, 2017 and the nine months ended September 30, 2018, the aggregate amount of fees relating to the movie and TV series promotion and distribution services that the Enlight Media Group provided paid/payable by us were RMB17.0 million and nil, respectively.

Annual caps

The following table sets forth the proposed annual caps under the Enlight Movie and TV Series Promotion and Distribution Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2019	2020	2021
	(RMB in millions)		
Amount of movie and TV series promotion and distribution service fees to be paid by the Enlight Media Group to our Group	240.0	290.0	350.0
Amount of movie and TV series promotion and distribution service fees to be paid by our Group to the Enlight Media Group	50.0	80.0	130.0

Basis of caps

- (a) *Provision of Movie and TV Series Promotion and Distribution Services by our Group to the Enlight Media Group*

When estimating the annual caps, our Directors have taken into consideration the following factors, including:

- (i) the movie and TV series promotion and distribution service fees payable by the Enlight Media Group to our Group amounted to approximately RMB23.6 million for the first half of 2018 and rapidly increased to approximately RMB105.6 million for the nine months ended September 30, 2018. The growth continued in the fourth quarter of 2018. We have entered into a letter of intent with the Enlight Media Group to provide promotion and distribution services to five more movies invested by the Enlight Media Group by the end of 2018;

CONNECTED TRANSACTIONS

- (ii) an estimated growth rate of approximately 20% for the annual caps for each of the three years ending December 31, 2021, with reference to the anticipated growth rate of China's movie industry and the TV series, web series, web movies and variety shows market in China. According to the iResearch Report, China's movie industry increased at a CAGR of 29.2% from 2012 to 2017, and it is expected to further grow at a CAGR of 20.2% by 2022, while the TV series, web series, web movies and variety shows market in China increased at a CAGR of 19.3% from 2012 to 2017, and it is expected to further grow at a CAGR of 15.2% by 2022; and
- (iii) the scale, nature, commercial potential and the anticipated growth rate of the movie and TV series promotion and distribution business of our Group and the expected increase in the cost involved in the promotion and distribution of movies and TV series.

(b) Provision of Movie and TV Series Promotion and Distribution Services by the Enlight Media Group to Our Group

When estimating the annual caps, our Directors have taken into consideration the following factors, including:

- (i) for the year ended December 31, 2017, we paid service fees of approximately RMB17.0 million to Enlight Media Group for one movie promotion and distribution services;
- (ii) as our collaboration with Enlight Media Group continues, we expect to broaden the scope of collaboration of promotion and distribution services for movie and TV series provided by Enlight Media Group. We currently expect to invest in three, four-five and seven-eight projects for 2019, 2020 and 2021, respectively; and
- (iii) the expected growth of the costs involved in the promotion and distribution of movies and TV series.

Listing Rules implications

In respect of the provision of movie and TV series promotion and distribution services by our Group to the Enlight Media Group under the Enlight Movie and TV Series Promotion and Distribution Framework Agreement, as the highest applicable percentage ratio for each of the provision of movie and TV series promotion and distribution services by our Group to the Enlight Media Group and the provision of movie and TV series promotion and distribution services by the Enlight Media Group to Our Group for the three years ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

CONNECTED TRANSACTIONS

In respect of the provision of movie and TV series promotion and distribution services by the Enlight Media Group to our Group under the Enlight Movie and TV Series Promotion and Distribution Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2018, 2019 and 2020 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

3. **Enlight Business Collaboration and Services Framework Agreement**

Parties:

*Our Company; and
Enlight Media*

Principal terms

We entered into a business collaboration and services framework agreement with Enlight Media (for itself and on behalf of its subsidiaries) (the “**Enlight Business Collaboration and Services Framework Agreement**”) on December 10, 2018, pursuant to which our Group and the Enlight Media Group will engage in the following collaboration from time to time.

- **Provision of prepaid card and voucher:** the Enlight Media Group will purchase prepaid card and voucher from us;
- **Provision of advertising services:** we will provide advertising services to the Enlight Media Group, and Enlight Media Group will pay service fees for such advertisement services;
- **Purchase of video display services:** the Enlight Media Group will display movies and videos which are legally owned by us or movies and videos which we have the right to display, on its platform as we request;
- **Purchase of media materials:** our Group will purchase certain media materials (e.g. customized posters, short videos and other promotional materials) from the Enlight Media Group that will be used in our advertising business and publicity activities during the movie and TV series distribution and promotion process; and
- **Purchase of other forms of advertisement resources:** our Group will purchase other forms of advertisement resources to be used in our advertising business and publicity activities from the Enlight Media Group. For example, we started to engage online key opinion leaders or artists managed by the Enlight Media Group to attend our publicity activities since the second half of 2018.

CONNECTED TRANSACTIONS

The initial term of the Enlight Business Collaboration and Services Framework Agreement will commence on the Listing Date and end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

Separate underlying agreements will be entered into which will set out the precise scope of service, details of products, service fees, purchase price, payment method and other details of the product and service arrangements in the manner provided in the Enlight Business Collaboration and Services Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

Reasons for the transaction

Our Group and the Enlight Media Group have a long-term stable relationship and the parties are mutually familiar with each other's business needs and requirements. Based on our previous experience in business dealing with the Enlight Media Group, we believe our Group and the Enlight Media Group are capable of effectively satisfying each other's demands for the relevant products and services in a stable and reliable manner. Furthermore, as the sales of prepaid card and voucher and provision of advertising services by our Group to the Enlight Media Group will be conducted in the ordinary course of business and on a continuing basis, the provision of these products and services to the Enlight Media Group will also provide a stream of recurrent income and enhance our Group's financial performance.

Pricing policies

In line with the general pricing policy of fairness and reasonableness set out in the Enlight Business Collaboration and Services Framework Agreement, the pricing policies are as follows:

(a) Provision of Products and Services by our Group to the Enlight Media Group

- **Provision of prepaid card and voucher:** The purchase price to be paid to our Group by the Enlight Media Group will be determined with reference to the prevailing market prices, and shall not be lower than the prices of similar products which we sell to Independent Third Parties.
- **Provision of advertising services:** The service fees will be determined by the unit prices of different online publicity resources which will be further determined with reference to the prevailing market rates.

(b) Provision of Products and Services by the Enlight Media Group to our Group

- **Purchase of video display services:** the service fees will be charged annually which will be determined with reference to the prevailing market rates.
- **Purchase of media materials:** the purchase price to be paid by our Group to the Enlight Media Group will be determined with reference to the prevailing market rates.

CONNECTED TRANSACTIONS

- **Purchase of other forms of advertisement resources:** the purchase price to be paid by our Group to the Enlight Media Group will be determined with reference to the prevailing market prices or the prices for similar resources from other Independent Third Parties. The prices of engaging the online key opinion leaders (“KOLs”) managed by the Enlight Media Group will be determined based on their appearance fees, which are determined by the popularity of the stars and artists and the prevailing market rates for online key opinion leaders and artists of comparable statuses and popularity.

Historical amounts

The Enlight Media Group commenced to purchase products and services from us in 2016. For the years ended December 31, 2016 and 2017, and the nine months ended September 30, 2018, the aggregate amounts of fees relating to the purchase of products and services by the Enlight Media Group from our Group were approximately RMB0.2 million, RMB0.7 million and RMB3.9 million, respectively.

We commenced to purchase products and services from the Enlight Media Group in 2017. For the year ended December 31, 2017, and the nine months ended September 30, 2018, the aggregate amounts of fees relating to the purchase of products and services by our Group from the Enlight Media Group were approximately RMB10.0 million and RMB1.0 million, respectively.

Annual caps

The following table sets forth the proposed annual caps under the Enlight Business Collaboration and Services Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2019	2020	2021
	(RMB in million)		
Maximum fees relating to the purchase of products and services to be paid by the Enlight Media Group to our Group	7.6	9.1	10.9
Maximum fees relating to the purchase of products and services to be paid by our Group to the Enlight Media Group	11.0	13.0	15.3

CONNECTED TRANSACTIONS

Basis of caps

When estimating the annual caps, our Directors have taken into consideration the following factors:

(a) *Provision of Products and Services by the Group to the Enlight Media Group*

- (i) the purchase of advertising products and services by the Enlight Media Group from our Group amounted to approximately RMB2.0 million for the nine months ended September 30, 2018;
- (ii) the Enlight Media Group purchased prepaid cards and vouchers in the amount of approximately RMB1.9 million from us in relation to four movies for the nine months ended September 30, 2018. The annual caps for 2019 to 2021 were estimated with reference to the purchase amount for 2018 and an estimated annual growth rate of approximately 20%;
- (iii) the growing needs for the Enlight Media Group to promote its daily business through the use of our advertising services alongside with Enlight Media Group's business development; and
- (iv) the expected growth of the costs involved in the unit price of each type of online publicity resource.

(b) *Provision of Products and Services by the Enlight Media Group to our Group*

- (i) the aforementioned historical amounts and our continuous needs of products and services provided by the Enlight Media Group to be used in our advertising and publicity activities;
- (ii) we paid approximately RMB1.0 million to the Enlight Media Group for using its video display service for the nine months ended September 30, 2018. We expect to purchase other forms of advertisement resources from the Enlight Media Group in the following three years; and
- (iii) appearance fees charged by KOLs vary significantly depending on their popularity, ranging from several thousand to millions of RMB. We can choose to engage KOLs with different appearance fees to attend our activities case by case. We currently expect to engage KOLs to attend two of our activities with a budget for appearance fees of RMB4.0 million per activity in 2019, and three to five similar activities in 2020 and 2021.

Listing Rules implications

In respect of the transactions under the Enlight Business Collaboration and Services Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed

CONNECTED TRANSACTIONS

0.1% but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

II. CONTINUING CONNECTED TRANSACTION WITH THE WEYING GROUP

Non-Exempt Continuing Connected Transactions

4. **Weying Business Collaboration and Services Framework Agreement**

Parties:

*Our Company; and
Weying (BVI) Limited*

Principal terms

We entered into a business collaboration and services framework agreement with Weying (BVI) Limited (for itself and on behalf of its associates (the “**Weying Group**”)) (the “**Weying Business Collaboration and Services Framework Agreement**”) on January 9, 2019, pursuant to which our Group will provide the following products and services to the Weying Group from time to time.

- **Settlement of prepaid card and voucher issued by the Weying Group:** The Weying Group issued a number of prepaid card and voucher to its customers before its business integration with our Group in September 2017 (see “History and Reorganization — Material Shareholding Change and Pre-IPO Investments”). As the result of the business integration, the Weying Group injected Beijing Weige Shidai into our Group and we agreed to provide movie ticketing services to the holders of prepaid card and voucher issued by the Weying Group. The Weying Group will reimburse us for the costs we incur when providing such services;
- **Provision of advertising services:** we will provide online advertising services on our platform and in-movie advertisement placements to the Weying Group, and the Weying Group will, in return, pay for such advertisement placements;
- **Provision of entertainment event ticketing services:** our Group will provide ticketing services to the Weying Group, the event organizer, for service fees; and
- **Provision of sports ticketing access:** our Group will provide sports ticketing access services to the Weying Group for service fees.

The initial term of the Weying Business Collaboration and Services Framework Agreement will commence on the Listing Date and end on December 31, 2021, and can be renewed upon its expiry as agreed by relevant parties to the agreement.

CONNECTED TRANSACTIONS

Separate underlying agreements will be entered into which will set out the precise scope of services, details of products, service fees, purchase price, payment method and other details of the products and service arrangements in the manner provided in the Weying Business Collaboration and Services Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

Reasons for the transaction

For the settlement of prepaid card and voucher, as the Weying Group has injected all its movie ticketing services business into our Group as the result of the business integration, we agreed to undertake the obligation to settle the outstanding prepaid card and voucher the Weying Group had issued to customers before the business integration. In addition, our Group and the Weying Group have a long term, stable relationship and the parties are mutually familiar with each other's business needs and requirements. Based on our previous experience in business dealing with the Weying Group, we believe our Group and the Weying Group are capable of effectively satisfying each other's demands for the relevant products and services in a stable and reliable manner. Besides, the settlement of prepaid card and voucher will be fully reimbursed by the Weying Group and the provision of products and services by our Group to the Weying Group will be conducted in the ordinary course of business and on a continuing basis, the provision of products and services to the Weying Group will also provide a stream of recurrent income and enhance our Group's financial performance.

Pricing policies

In line with the general pricing policy of fairness and reasonableness set out in the Weying Business Collaboration and Services Framework Agreement, the pricing policies are as follows:

- **Settlement of prepaid card and voucher issued by the Weying Group:** The Weying Group will pay the costs incurred during such settlement process.
- **Provision of advertising services:** the service fees will be determined by the unit prices of different online publicity resources which will be further determined with reference to the prevailing market rates.
- **Provision of entertainment event ticketing services:** the service fees to be paid by the Weying Group to our Group will be calculated by the value of the ticket prices distributed through us multiplied by the commission rates, which will be further determined by both parties on case-by-case basis with reference to prevailing market rates.
- **Provision of sports ticketing access:** the service fees to be paid by the Weying Group to our Group will be calculated by the value of the ticket prices purchased through our sports ticketing access multiplied by the commission rates, which will be determined with reference to prevailing market rates.

CONNECTED TRANSACTIONS

Historical amounts

The Weying Group commenced to purchase products and services from us in 2017. For the year ended December 31, 2017, and the nine months ended September 30, 2018, the aggregate amounts of fees relating to the purchase of products and services by the Weying Group from our Group were approximately RMB30.9 million and RMB43.1 million, respectively.

Annual caps

The following table sets forth the proposed annual caps under the Weying Business Collaboration and Services Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2019	2020	2021
	(RMB in millions)		
Maximum fees relating to the purchase of products and services to be paid by the Weying Group to our Group	31.0	5.0	0

Basis of caps

When estimating the annual caps, our Directors have taken into consideration the following factors:

- (i) the aforesaid historical amounts and the existing agreements between our Group and the Weying Group;
- (ii) the aggregate amounts of fees relating to the purchase of products and services by the Weying Group from our Group for the nine months ended September 30, 2018 were approximately RMB43.1 million; and
- (iii) as of September 30, 2018, the outstanding prepaid card and voucher in issuance to the Weying Group's previous users to be settled may incur a cost of approximately RMB63.2 million in total with one to two years of validity, and we assume that most of the voucher will be consumed in 2019.

Listing Rules implications

In respect of the transactions under the Weying Business Collaboration and Services Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Listing Rules is expected to

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exceed 0.1% but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

III. CONTINUING CONNECTED TRANSACTION WITH THE REPRESENTED TENCENT GROUP

Non-Exempt Continuing Connected Transactions

5. Tencent Movie and TV Series Promotion and Distribution Framework Agreement

Parties

*Our Company; and
Tencent Computer*

Principal terms, reasons for the transaction and pricing policies

We entered into a movie and TV series promotion and distribution framework agreement with Tencent Computer (for itself and on behalf of its group members, excluding China Literature Limited and its subsidiaries, and Tencent Music Entertainment Group and its subsidiaries, (the “**Represented Tencent Group**”)) (the “**Tencent Movie and TV Series Promotion and Distribution Framework Agreement**”) on January 9, 2019, pursuant to which we will provide movie and TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels) promotion and distribution services to the Represented Tencent Group, and service fees will be paid to us in respect of such services.

The principal terms of the Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the reason for this transaction and the pricing policies of this transaction are substantially the same as those of the provision of movie and TV series promotion and distribution services by our Group to the Enlight Media Group as provided in the Enlight Movie and TV Series Promotion and Distribution Framework Agreement. Please refer to “— Non-exempt Continuing Connected Transaction — Continuing Connected Transaction with Enlight and its associates — Enlight Movie and TV Series Promotion and Distribution Framework Agreement — (a) Provision of Movie and TV Series Promotion and Distribution Service by Our Group to the Enlight Media Group.”

Historical amounts

We began to provide movie and TV series promotion and distribution services to the Represented Tencent Group in 2016. For the years ended December 31, 2016 and 2017, and the nine months ended September 30, 2018, the aggregate amounts of fees relating to movie and TV series promotion and distribution services paid/payable by the Represented Tencent Group to our Group were RMB1.1 million, nil and nil, respectively.

CONNECTED TRANSACTIONS

Annual caps

The following table sets forth the proposed annual caps under the Tencent Movie and TV Series Promotion and Distribution Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2019	2020	2021
Amount of movie and TV series promotion and distribution service fees to be paid by the Represented Tencent Group to our Group	11.0	13.2	15.8

(RMB in millions)

Basis of caps

When estimating the annual caps, our Directors have taken into consideration the following factors, including:

- (i) as of the Latest Practicable Date, we had provided promotion and distribution services to one movie invested by the Represented Tencent Group and we expect to receive service fees of approximately RMB9.2 million in 2019. We expect to provide promotion and distribution services to another movie which was jointly invested by our Group and the Represented Tencent Group and is currently scheduled to be released in 2019;
- (ii) an estimated growth rate of approximately 20% for the annual caps for each of the three years ending December 31, 2021. The aforesaid growth rate was estimated with reference to the anticipated growth rate of China's movie industry and the TV series, web series, web movies and variety shows market in China. According to the iResearch Report, China's movie industry grew at a CAGR of 29.2% from 2012 to 2017, and is expected to further grow at a CAGR of 20.2% by 2022, while the TV series, web series, web movies and variety shows market in China grew at a CAGR of 19.3% from 2012 to 2017, and is expected to further grow at a CAGR of 15.2% by 2022; and
- (iii) the scale, nature, commercial potential and the estimated growth rate of the movie and TV series promotion and distribution business of our Group and the expected increase in the operating costs for such business.

Listing Rules implications

In respect of the transactions under the Tencent Movie and TV Series Promotion and Distribution Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Listing Rules is expected

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to exceed 0.1% but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

6. Payment Services Cooperation Framework Agreement

Parties

*Our Company; and
Tencent Computer*

Principal terms

We entered into a payment services cooperation framework agreement (the “**Payment Services Cooperation Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group) on January 9, 2019, pursuant to which the Represented Tencent Group will provide us with payment services through its payment channels so as to enable our users to conduct online transactions and we will pay service commissions to the Represented Tencent Group in respect of such services.

The initial term of the Payment Services Cooperation Framework Agreement will commence on the Listing Date and end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

Separate underlying agreements will be entered into which will set out the precise scope of services, commission rates, the applicable payment channels and other details of the service arrangements in the manner provided in the Payment Services Cooperation Framework Agreement. The service commissions will be determined after arm’s length negotiation between the parties with reference to the market rates.

Reasons for the transaction

There are limited choices of online payment channels in the PRC. Given that the Represented Tencent Group is a leading player in the PRC online payment service industry and many of our users use the Represented Tencent Group’s online payment services, such cooperation would enable us to provide our users with the best available payment methods and therefore enhance our users’ experience with our services.

Pricing policies

Before entering into any payment service agreement pursuant to the Payment Services Cooperation Framework Agreement, we will assess our business needs and take into account a number of factors, including but not limited to (i) the efficiency of payment channels operated by different online payment services providers; (ii) consumers’ preference among different online payment service

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providers; and (iii) the commission rates proposed by the Represented Tencent Group and the prevailing market rates. We will only enter into a payment service agreement with the Represented Tencent Group when the payment service agreement is in the best interests of our Company and our Shareholders as a whole.

Historical amounts

We commenced to purchase payment services from the Represented Tencent Group in 2017. For the year ended December 31, 2017, and the nine months ended September 30, 2018, the aggregate amounts of service commissions paid/payable to the Represented Tencent Group by us were approximately RMB1.7 million and RMB25.2 million, respectively.

Annual caps

The following table sets forth the proposed annual caps under the Payment Services Cooperation Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2019	2020	2021
	(RMB in millions)		
Service commissions to be paid by us to the Represented Tencent Group	54.0	67.0	86.0

Basis of caps

When estimating the annual caps, our Directors have taken into consideration the following factors, including

- (i) the aggregate amounts of payment service commissions paid/payable to the Represented Tencent Group by us grew significantly from RMB1.7 million for the year ended December 31, 2017 to RMB14.9 million for the six months ended June 30, 2018 and to RMB25.2 million for the nine months ended September 30, 2018, and we expect that the payment service commissions will continue to grow;
- (ii) our expectation that there will be an increase in payment volume paid by our users through the Represented Tencent Group's payment channels as the *Weixin* and *QQ* apps are key internet traffic entrances and we became the sole provider for the movie, live shows and sports ticketing services on Tencent's platforms;
- (iii) an estimated growth rate of approximately 25% for the annual caps for each of the three years ending December 31, 2021, with reference to the expected growth of the

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entertainment market and the development of our online entertainment ticketing service business and the expected growth of movie and entertainment event ticket prices. According to the iResearch Report, China's entertainment industry will grow to RMB3,213.8 billion in 2022, representing a CAGR of 20.2% from 2017; and

(iv) the recent strong growth in the use of the Represented Tencent Group's payment services.

Listing Rules implications

In respect of the transactions under the Payment Services Cooperation Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

7. Cloud Services and Technical Services Framework Agreement

Parties

*Our Company; and
Tencent Computer*

Principal terms

We entered into a cloud services and technical services framework agreement (the “**Cloud Services and Technical Services Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group) on January 9, 2019, pursuant to which the Represented Tencent Group will provide cloud services and other technical services to us for service fees. Cloud services and other technical services include but not limited to provision of cloud services, cloud storage, technical support related to cloud services, and domain name resolution services.

The initial term of the Cloud Services and Technical Services Framework Agreement will commence on the Listing Date and end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

Separate underlying agreements will be entered into which will set out the precise scope of service, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Cloud Services and Technical Services Framework Agreement.

Reasons for the transaction

There are limited choices of cloud service providers in the PRC, the Represented Tencent Group is a leading integrated service provider for a wide range of cloud services and technical services in the PRC and is able to provide reliable and cost-efficient services. Taking into account the wide

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spectrum of cloud services and technical services required for our operations, we believe that obtaining such services from one single integrated service provider is our best available option and will be able to reduce unnecessary additional costs incurred in seeking such services from different service providers. We therefore entered into the Cloud Services and Technical Services Framework Agreement to govern any cloud services and technical services to be provided by Represented Tencent Group to us.

Pricing policies

Before entering into any cloud services agreement or technical services agreement pursuant to the Cloud Services and Technical Services Framework Agreement, we will assess our needs, evaluate the quality of cloud and technical services of different service providers and compare the service fees rates proposed by Represented Tencent Group with the rates offered by other competent service providers. We will only enter into a service agreement with Represented Tencent Group when the agreement is in the best interests of our Company and our Shareholders as a whole.

Historical amounts

We commenced to purchase cloud services and technical services from the Represented Tencent Group in 2017. For the year ended December 31, 2017, and the nine months ended September 30, 2018, the aggregate amounts of service fees paid/payable to the Represented Tencent Group by us were approximately RMB8.7 million, and RMB13.3 million, respectively.

Annual caps

The following table sets forth the proposed annual caps under the Cloud Services and Technical Services Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2019	2020	2021
	(RMB in millions)		
Service fees to be paid by us to the Represented Tencent Group	33.0	66.0	93.0

Basis of caps

When estimating the annual caps, our Directors have taken into consideration the following factors, including

- (i) the aforesaid historical amounts and the existing agreements between our Group and the Represented Tencent Group; and

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- (ii) the approach to streamline the technical system and reduce administrative costs. Because of the good quality of the Represented Tencent Group's cloud and technical services, we are in the process of integrating our servers and we expect that a majority of our mobile apps and websites operation will require cloud services and technical services from the Represented Tencent Group. Before the integration started in early 2018, the total scale of the cloud and technical services we needed for our business operation amounted to an annual cost of approximately RMB66.0 million. We are gradually integrating our servers and expect to complete the process in 2020. We also expect a growth in the number of our users, development and expansion of our online services, the launch and development of new online products and services.

Listing Rules implications

In respect of the transactions under the Cloud Services and Technical Services Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

8. Tencent Business Collaboration and Services Framework Agreement

Parties

*Our Company; and
Tencent Computer*

Principal terms

We entered into a business collaboration and services framework agreement with Tencent Computer (for itself and on behalf of the Represented Tencent Group) (the "**Tencent Business Collaboration and Services Framework Agreement**") on January 9, 2019, pursuant to which our Group and the Represented Tencent Group will engage in the following collaboration from time to time.

- **Provision of prepaid card and voucher:** the Represented Tencent Group will purchase prepaid card and voucher from us;
- **Licensing of broadcasting rights:** our Group will license the broadcasting rights of entertainment content, including movies, concerts, live shows and other entertainment events, to the Represented Tencent Group for a licensing fee;
- **Provision of advertising services:** we will provide advertising services to the Represented Tencent Group, and the Represented Tencent Group will pay service fees for such advertisement services;

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- **Provision of online entertainment event ticketing services:** our Group will provide online ticketing services to the Represented Tencent Group for service fees; and
- **Purchase of advertising services,** the Represented Tencent Group will provide advertising services to us for service fees.
- **Purchase of other forms of advertisement resources:** our Group will purchase other forms of advertisement resources to be used in our advertising business and publicity activities from the Represented Tencent Group. For example, we will engage online KOLs or artists managed by the Represented Tencent Group to attend our publicity activities.

The initial term of the Tencent Business Collaboration and Services Framework Agreement will commence on the Listing Date and end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

Separate underlying agreements will be entered into which will set out the precise scope of services, details of products, service fees, purchase price, payment method and other details of the products and service arrangements in the manner provided in the Tencent Business Collaboration and Services Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties.

Reasons for the transaction

Our Group and the Represented Tencent Group have a long term, stable relationship and the parties are mutually familiar with each other's business needs and requirements. Based on our previous experience in business dealing with the Represented Tencent Group, we believe our Group and the Represented Tencent Group are capable of effectively satisfying each other's demands for the relevant products and services in a stable and reliable manner. Furthermore, as the provision of products and services by our Group to the Represented Tencent Group will be conducted in the ordinary course of business and on a continuing basis, the provision of these products and services to the Represented Tencent Group will also provide a stream of recurrent income and enhance our Group's financial performance.

Pricing policies

In line with the general pricing policy of fairness and reasonableness set out in the Tencent Business Collaboration and Services Framework Agreement, the pricing policies are as follows:

(a) Provision of Products and Services by our Group to Represented Tencent Group

- **Provision of prepaid card and voucher:** The purchase price to be paid to our Group by Represented Tencent Group will be determined after arm's length negotiation between the parties with reference to prevailing market rates.

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- **Licensing of broadcasting rights:** the licensing fees to be paid to our Group by the Represented Tencent Group will be determined with reference to the costs of acquiring such entertainment content, the popularity and commercial potential of such content as well as the market prices of licensing similar content.
- **Provision of advertising services:** The service fees will be determined by the unit prices of different online publicity resources which will be further determined with reference to the prevailing market rates.
- **Provision of online entertainment event ticketing services:** the service fees to be paid by the Represented Tencent Group to our Group will be calculated by the value of the ticket prices distributed through us multiplied by the commission rates, which will be further determined by both parties on a case-by-case basis with reference to the prevailing market rates.

(b) *Provision of Products and Services by the Represented Tencent Group to our Group*

- **Purchase of advertising services:** we will assess our needs and compare the service fees rates proposed by the Represented Tencent Group with the rates offered by other comparable advertising service providers, and only enter into the service agreement with Represented Tencent Group when the terms are in line with or better than the market rates.
- **Purchase of other forms of advertisement resources:** the purchase prices to be paid by our Group to the Represented Tencent Group will be determined with reference to the prevailing market prices or the prices for similar resources from other Independent Third Parties. The prices of engaging the online KOLs or artists managed by the Represented Tencent Group will be determined by their appearance fees, which are determined based on the popularity of the online celebrities and artists and the prevailing market rates for online celebrities and artists of comparable statuses and popularity.

Historical amounts

The Represented Tencent Group commenced to purchase products and services from us in 2016. For the years ended December 31, 2016 and 2017, and the nine months ended September 30, 2018, the aggregate amounts of fees relating to the purchase of products and services by Represented Tencent Group from our Group were approximately RMB135.0 thousand, RMB90.1 thousand and RMB714.9 thousand, respectively.

We commenced to purchase products and services from the Represented Tencent Group in 2017. For the year ended December 31, 2017, and the nine months ended September 30, 2018, the aggregate amounts of fees relating to the purchase of products and services by our Group from Represented Tencent Group were approximately RMB129.9 thousand and RMB660.0 thousand, respectively.

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Annual caps

The following table sets forth the proposed annual caps under the Tencent Business Collaboration and Services Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2019	2020	2021
	(RMB in millions)		
Fees relating to the purchase of products and services to be paid by the Represented Tencent Group to our Group	37.2	44.6	53.6
Fees relating to the purchase of products and services to be paid by our Group to the Represented Tencent Group	16.0	24.0	33.3

Basis of caps

(a) *Provision of products and services by our Group to the Represented Tencent Group*

- (i) the Represented Tencent Group purchased prepaid cards and vouchers in the amount of approximately RMB1.0 million from us in relation to one movie for the nine months ended September 30, 2018. The Represented Tencent Group is negotiating with us to further purchase prepaid cards and vouchers in the amount of approximately RMB30.0 million from us in 2019; and
- (ii) an estimated growth rate of approximately 20% for the annual caps for each of the three years ending December 31, 2021, with reference to the anticipated growth rate of China's entertainment industry. According to the iResearch Report, China's entertainment industry will grow to RMB3,213.8 billion in 2022, representing a CAGR of 20.2% from 2017.

(b) *Provision of products and services by Represented Tencent Group to our Group*

- (i) as of the Latest Practicable Date, we had been negotiating with the Represented Tencent Group to purchase its advertising services, including five advertising service projects in the amount of approximately RMB1.0 million each and another five advertising service projects in the amount of approximately RMB0.2 million each in 2019. We also expect to purchase other forms of advertisement resources from the Represented Tencent Group in the following three years;
- (ii) appearance fees charged by KOLs vary significantly depending on their popularity, ranging from several thousand to millions of RMB. We can choose to engage KOLs with different appearance fees to attend our activities. We currently expect to engage KOLs to attend two of our activities with a budget for appearance fee of RMB4 million per activity in 2019, and three to five similar activities in 2020 and 2021; and

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- (iii) the growth of China's entertainment industry. According to the iResearch Report, China's entertainment industry will grow to RMB3,213.8 billion in 2022, representing a CAGR of 20.2% from 2017.

Listing Rules implications

In respect of the transactions under the Tencent Business Collaboration and Services Framework Agreement, as the highest applicable percentage ratio for each of the provision of products and services by our Group to the Represented Tencent Group and the provision of products and services by Represented Tencent Group to our Group for the three years ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

9. **Tencent Entertainment Content Production Cooperation Framework Agreement**

Parties

*Our Company; and
Tencent Computer*

Principal terms, reason for transaction and pricing policies

We entered into a entertainment content production cooperation framework agreement with Tencent Computer (for itself and on behalf of the Represented Tencent Group) (the “**Tencent Entertainment Content Production Cooperation Framework Agreement**”) on January 9, 2019, pursuant to which our Company (for itself and on behalf of our subsidiaries) and the Represented Tencent Group agreed to cooperate in making joint investments in the production of several types of entertainment content, including but not limited to, movies, TV series (for the avoidance of doubt, in relation to this agreement, TV series refers to all audio and/or video programs, whether played through TV stations, websites, mobile applications or other channels), concerts and live shows. Forms of cooperation under the Tencent Entertainment Content Production Cooperation Framework Agreement include but are not limited to the following:

- our Group and the Represented Tencent Group will enter into an investment agreement with third-party producers of the same entertainment content, respectively; and
- either party (as a co-producer) will enter into an investment agreement with the other party (as a lead producer) to purchase a certain percentage of investment amounts.

The aforementioned cooperation shall exclude any transactions which involve the formation of a joint venture entity in connection with or for the purpose of the joint investment in production of entertainment content.

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The initial term of the Tencent Entertainment Content Cooperation Framework Agreement will commence on the Listing Date and end on December 31, 2021, subject to renewal upon the mutual agreement of both parties.

Separate underlying agreements will be entered into which will set out the precise investment amounts, investment proportion, investment return distribution, payment method and other details of the arrangements in the manner provided in the Tencent Entertainment Content Production Cooperation Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on a fair and reasonable basis after arm's length negotiation between the parties taking into account various factors such as resources contribution (including intellectual property rights), and financial commitments (including investment amounts, other costs and expenses incurred).

Reasons for the transaction

We participate in entertainment content production business to capitalize on the success of such entertainment content and seek to realize profits from the success of these entertainment content. Due to the large initial capital commitment involved in the production of entertainment content, it is a general market practice in the industry for several investors to make co-investments in the production process. In addition, co-production creates synergies through the pooling of different producers' resources and expertise in different aspects, which would facilitate the whole production process. The Represented Tencent Group is a leading player in the entertainment content production industry in the PRC and is experienced in the entertainment industry. The cooperation through joint investments between the Represented Tencent Group and our Group has been, and is expected to remain to be, a mutually beneficial cooperation arrangement. Leveraging the Represented Tencent Group's market position and extensive investment experience in the relevant field, and the Group's data insights of consumer preferences, promotion and distribution capabilities and ticketing services experience, it is expected that the parties can enjoy respective competitive advantages through the cooperation.

Pricing policies

Both parties have agreed that the investment amounts, investment proportion and revenue/profit sharing mechanism for each definitive agreement that will be entered into pursuant to the Tencent Entertainment Content Production Cooperation Framework Agreement will be determined on a case-by-case basis and on a fair and reasonable basis with reference to factors such as evaluation of the prospects of the content, ownership of the copyrights, costs and expenses involved in the development, resources available for the production process. Generally, unless otherwise agreed by the parties, our Group's investment return (being the portion out of the total returns generated by the jointly invested entertainment content) shall be determined with reference to our investment proportion. Prior to entering into any definitive agreement pursuant to the Tencent Entertainment Content Production Cooperation Framework Agreement, we (including the committee comprises of our senior management and relevant department heads) will assess our needs and will compare the revenue/profit sharing mechanism proposed by the Represented Tencent Group against the terms proposed by other comparable entertainment content producers who are Independent Third Parties (if applicable). We will only enter into definitive agreements in respect of entertainment content

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production cooperation with the Represented Tencent Group when the revenue/profit sharing mechanism is in line with or more advantageous to us than the mechanism offered by other comparable existing or potential cooperation partners, and entering into the definitive agreement is in the best interest of our Company and our Shareholders as a whole.

Historical amounts

We commenced the cooperation on entertainment content production with the Represented Tencent Group in 2017, mainly includes joint investment in one movie. For the year ended December 31, 2017, and the nine months ended September 30, 2018, the aggregate amounts of investment contributed by our Group to entertainment content jointly invested with the Represented Tencent Group were RMB1.0 million and RMB50.0 million, respectively.

Annual caps

The following table sets forth the proposed annual caps under the Tencent Entertainment Content Production Cooperation Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2019	2020	2021
	(RMB in millions)		
Total investment to be contributed by our Group to entertainment content invested with the Represented Tencent Group	226.0	286.0	353.4

Basis of caps

The following table sets forth the breakdown of the proposed annual caps under the Tencent Entertainment Content Production Cooperation Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2019	2020	2021
	(RMB in millions)		
Investment by our Group in the movies jointly invested with the Represented Tencent Group	80.0	96.0	115.2
Investment by our Group in the TV series jointly invested with the Represented Tencent Group	96.0	115.0	138.2
Investment by our Group in the entertainment events and other entertainment content jointly invested with the Represented Tencent Group	50.0	75.0	100.0

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The aggregate amounts of joint investments in entertainment content with the Represented Tencent Group during the Track Record Period did not fully reflect our Group's actual plan of cooperation with the Represented Tencent Group since we commenced the cooperation on entertainment content production with the Represented Tencent Group in 2017, and only jointly invested in one movie during the Track Record Period.

When estimating the annual caps of investment to be made by our Group to the movies jointly invested with the Represented Tencent Group, our Directors have taken into consideration the following factors:

- (i) the aggregate amounts of joint investments in movies with the Represented Tencent Group for the first nine months ended September 30, 2018 were approximately RMB50.0 million;
- (ii) our total investment amount in one movie usually ranges from approximately RMB5.0 million to RMB20.0 million based on our experience. We currently plan to invest in forty to fifty movies in 2019, including seven to eight movies to be jointly invested with the Represented Tencent Group;
- (iii) an estimated growth rate of approximately 20% for the annual caps for each of the three years ending December 31, 2021 with reference to the anticipated growth of China's movie industry. According to the iResearch Report, China's movie industry increased at a CAGR of 29.2% from 2012 to 2017, and it is expected to further grow at a CAGR of 20.2% by 2022; and
- (iv) our continue expansion of our movie production business which is consistent with the fast growing movie industry in the PRC.

When estimating the annual caps of investment to be made by our Group to the TV series jointly invested with the Represented Tencent Group, our Directors have taken into consideration the following factors:

- (i) the number of TV series we expect to jointly invest with the Represented Tencent Group. The Represented Tencent Group operates a number of well-known online video platforms and we expect to have more cooperation with the Represented Tencent Group to further achieve synergy effect;
- (ii) the level of our involvement in the TV series production business. According to the iResearch Report, in 2018, the average investment amount of one episode of a high-quality TV series ranged from approximately RMB2.5 million to RMB7.5 million. Assuming that each TV series has forty episodes, the total investment amount of one TV series, which will be shared by several co-producers, will range from approximately RMB100 million to RMB300 million. As of the Latest Practicable Date, we are negotiating with the Represented Tencent Group to jointly invest in one TV series and expect to invest approximately RMB12.0 million in such project. Apart from this, we are considering to jointly invest in another three TV series in 2019, four to five TV series in 2020 and five TV series in 2021, with the Represented Tencent Group; and

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- (iii) the expected increase in the operating costs for promotion and distribution of movies and TV series.

When estimating the annual caps of investment to be made by our Group to the entertainment events and other entertainment content jointly invested with the Represented Tencent Group, our Directors have taken into consideration the following factors:

- (i) our investment budget for the entertainment events business is RMB50.0 million for 2019, which was intended to cover (a) one major concert with an average ticket price of RMB1,000 in an outdoor stadium with a maximum of 30,000 seats, or (b) several small live shows with an average ticket price of RMB800 in an indoor stadium with a maximum of 10,000 seats. As our collaboration with the Represented Tencent Group continues, we expect to invest in one major concert and several small live shows in 2019, and increase our concert investments to two to three concerts in 2020, and four to five concerts in 2021;
- (ii) the commercial potential of the entertainment events and other entertainment content production business of our Group; and
- (iii) the expected growth of our Group's budgets for the entertainment events and other entertainment content production business. Our investment budget will continue to grow in line with the fast-developing entertainment content production industry in China.

Listing Rules implications

In respect of the transactions under the Tencent Entertainment Content Production Cooperation Framework Agreement, as the highest applicable percentage ratio for the three years ending December 31, 2019, 2020 and 2021 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholder's approval requirement under Rule 14A.36 of the Listing Rules.

IV. CONTRACTUAL ARRANGEMENTS

10. Contractual Arrangements

Background

As disclosed in the section headed "Contractual Arrangements" in this prospectus, due to regulatory restrictions on foreign ownership in Relevant Businesses in the PRC, we conduct a portion of our business through our Consolidated Affiliated Entities in the PRC. We do not hold any equity interests in our Consolidated Affiliated Entities which are held by Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Beijing Shiji Weying and Linzhi Lixin and Historical ESOP Platforms. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefit from

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our Consolidated Affiliated Entities in consideration for the services provided by Maoyan Technology to the Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

See the section headed “Contractual Arrangements” in this prospectus for further detailed terms of the Contractual Arrangements.

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as certain parties to the Contractual Arrangements, namely Enlight Investment, Enlight Media, Beijing Weying and Linzhi Lixin, are connected persons of the Group.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group’s legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of our Consolidated Affiliated Entities and any member of our Group (“**New Intergroup Agreements**” and each of them, a “**New Intergroup Agreement**”) technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual reporting requirement under Rule 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14.35 of the Listing Rules and the independent Shareholders’ approval requirement under Rule 14A.36 of the Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, we have adopted the following internal control procedures:

- We have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company’s policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee under the Board, the Investment, the Board and various other internal departments of the

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Company (including but not limited to the finance department and compliance and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;

- the Audit Committee under the Board, the Board and various other internal departments of the Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;
- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that in accordance with Rules 14A.55 and 14A.56 the Listing Rules that the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;
- when considering service fees for the services to be provided to the Group by the above connected persons or the service fees for the services to be provided by the Group to the above connected persons, the Group will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to Independent Third Parties; and
- when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

WAIVERS GRANTED BY THE STOCK EXCHANGE

As the above non-exempt continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement and independent Shareholders' approval requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules in case of the Enlight

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Movie and TV Series Production Cooperation Framework Agreement, the Enlight Movie and TV Series Promotion and Distribution Framework Agreement and the Tencent Entertainment Content Production Framework Agreement, the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the transactions under the Enlight Business Collaboration and Services Framework Agreement, the Weying Business Collaboration and Services Framework Agreement, the Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the Payment Services Cooperation Framework Agreement, the Cloud Services and Technical Services Framework Agreement and the Tencent Business Collaboration and Services Framework Agreement, provided that the total amount of transactions for each of the three years ending December 31, 2021 will not exceed the relevant proposed annual caps as set out above. The independent non-executive Directors and auditors of the Company will review whether the transactions under the non-exempt continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

The Contractual Arrangements

In respect of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Rules 14A.04 and 14A.105 of the Listing Rules, and (ii) the requirement of setting an annual cap for the transaction under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, for so long as our Share are listed on the Stock Exchange, subject, however, to the following conditions:

(a) ***No change without independent non-executive Directors' approval***

No change to the Contractual Arrangements (including with respect to any fees payable to the Maoyan Technology thereunder) will be made without the approval of our independent non-executive Directors.

(b) ***No change without independent Shareholders' approval***

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

CONNECTED TRANSACTIONS

(c) *Economic benefit flexibility*

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets at a consideration which shall be the higher of (a) a nominal price or (b) the lowest price as permitted and applicable PRC laws, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the Maoyan Technology by the Consolidated Affiliated Entities under the Exclusive Consultation and Service Agreement, and (iii) our Group's right to control the management and operation of, as well as the substance of, all of the voting rights of the Consolidated Affiliated Entities.

(d) *Renewal and reproduction*

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) *Ongoing reporting and approvals*

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual reports and accounts in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual reports for the relevant years that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any

CONNECTED TRANSACTIONS

new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

- Our Company’s auditor will carry out review procedures annually on the transactions, pursuant to the Contractual Arrangements, and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, our Consolidated Affiliated Entities will be treated as our Company’s subsidiaries, and at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Our Consolidated Affiliated Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group’s management and our Company’s auditor full access to its relevant records for the purpose of our Company’s auditor’s review of the connected transactions.
- In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated in any New Intergroup Agreements (as defined above), (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from our Consolidated Affiliated Entities in any New Intergroup Agreements, and (iii) the requirement to limit the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange. The waiver is subject to the condition that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as our Company’s subsidiaries, but their directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

CONNECTED TRANSACTIONS

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION BY DIRECTORS

The Directors (including independent non-executive Directors) are of the view that the non-exempt continuing connected transactions have been and will continue to be carried out in our ordinary and usual course of business of the Company and on normal commercial terms that are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

The Directors (including the independent non-executive Directors) of our Company are of the view that the Contractual Arrangements and the transactions contemplated therein have been entered into and will be entered into during our ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. The Directors are of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which are of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Maoyan Technology; (ii) Maoyan Technology can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Group, and (ii) participated in the due diligence and discussion with the management of the Company. Based on the above, the Joint Sponsors are of the view that the non-exempt continuing connected transactions set out above have been and will continue to be carried out in the ordinary and usual course of business of the Company and on normal commercial terms, and are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed annual caps of the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

The Joint Sponsors are also of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Maoyan Technology; (ii) Maoyan Technology can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The Board currently consists of 11 Directors, including one executive Director, six non-executive Directors and four independent non-executive Directors. All Directors are elected by the general meeting for a term of three years which is renewable upon re-election. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management systems of the Group, formulating profit distribution plans and loss recovery plans of the Group, and exercising other powers and functions as conferred by the Memorandum and Articles of Association.

The following tables set forth information regarding our Directors and senior management.

Directors and Senior Management

The table below sets forth certain information on our Directors:

Name	Age	Position	Major duties	Date of joining the Group	Date of appointment as Director	Relationship with other Directors and senior management
Executive Director						
Mr. ZHENG Zhihao (鄭志昊)	49	Executive Director	Participating in formulation of business plans, strategies and major decisions of our Group through the Board, responsible for the overall management of our Group	April 2016	8 December 2017	None
Non-executive Directors						
Mr. WANG Changtian (王長田)	53	Chairman, Non-executive Director	Participating in the formulation of business plans, strategic and major decisions of the Group as a member of the Board	July 2016	8 December 2017	Brother of Ms. WANG Jian
Ms. LI Xiaoping (李曉萍)	43	Non-executive Director	Same as above	September 2017	20 July 2018	None
Ms. WANG Jian (王攀)	47	Non-executive Director	Same as above	July 2016	20 July 2018	Sister of Mr. WANG Changtian
Mr. ZHAN Weibiao (湛煒標)	44	Non-executive Director	Same as above	September 2017	20 July 2018	None
Mr. CHEN Shaohui (陳少暉)	37	Non-executive Director	Same as above	March 2017	20 July 2018	None
Mr. LIN Ning (林寧)	44	Non-executive Director	Same as above	September 2017	20 July 2018	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Major duties	Date of joining the Group	Date of appointment as Director	Relationship with other Directors and senior management
Independent Non-executive Directors						
Mr. WANG Hua (汪華)	41	Independent Non-executive Director	Supervising and offering independent judgment to the Board and serving as chairman and/or members of certain committees of the Board	January 2019	10 January 2019	None
Mr. CHAN Charles Sheung Wai (陳尚偉)	64	Independent Non-executive Director	Same as above	January 2019	10 January 2019	None
Mr. MA Dong (馬東)	50	Independent Non-executive Director	Same as above	January 2019	10 January 2019	None
Mr. LUO Zhenyu (羅振宇)	46	Independent Non-executive Director	Same as above	January 2019	10 January 2019	None

Our senior management is responsible for the day-to-day management of our business. The following table below sets forth certain information on the senior management of the Company:

Name	Age	Position	Major duties	Date of joining the Group	Date of appointment as senior management	Relationship with other Directors and senior management
Mr. ZHENG Zhihao (鄭志昊)	49	Chief Executive Officer	Participating in formulation of business plans, strategies and major decisions of our Group through the Board, responsible for the overall management of our Group	April 2016	April 2016	None
Mr. GU Sibin (顧思斌)	36	President	Responsible for the overall management of our Group	October 2017	October 2017	None
Mr. KANG Li (康利)	36	Chief Operating Officer	Responsible for the overall management of our Group	April 2016	April 2016	None
Mr. SHI Kangping (施康平)	42	Chief Financial Officer	Responsible for the overall financial management and compliance of our Group	February 2018	February 2018	None

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Director

Mr. Zheng Zhihao (鄭志昊), 49, is an executive Director and the chief executive officer of the Company and has held directorships and senior management positions at various subsidiaries within the Group, including as a director and the general manager of Tianjin Maoyan Weying since April 2016, and as an executive director, the legal representative as well as the manager of Maoyan Technology since February 2018.

Mr. Zheng has over 15 years of experience in the Internet and media industries. From April 2001 to February 2005, Mr. Zheng served as a senior consultant in Microsoft Corporation, a company listed on the NASDAQ (Stock Code: MSFT). From February 2005 to September 2006, Mr. Zheng successively served as senior program manager and group manager in Microsoft (China) Co., Ltd. Shanghai Branch (微軟(中國)有限公司上海分公司). Mr. Zheng then served as a department general manager and vice president of Tencent Technology (Shenzhen) Company Limited (騰訊科技(深圳)有限公司) from September 2006 to April 2015. Mr. Zheng also served as the president and the chief product officer at Dianping Holdings Ltd. between March 2014 and November 2015, responsible for its overall operations and the management of various products, including the development of the movie department and the management of the entertainment business such as the movie ticketing services business, and as the president of the platform business group of Meituan Dianping between November 2015 and April 2016, mainly in charge of the management of various products, including the movie ticketing services, product operations and technologies.

Mr. Zheng received a bachelor's degree in applied chemistry from Shandong University (山東大學) in Shandong, the PRC in July 1992 and a master's degree in science from University of Kentucky in Kentucky, the United States, in December 1996.

Non-Executive Directors

Mr. Wang Changtian (王長田), 53, is a non-executive Director and the Chairman of the Company and the chairman of Tianjin Maoyan Weying since July 2016. Mr. Wang also holds directorships and senior management positions in companies across various industries; in the media industry, Mr. Wang has served as the chairman and general manager of Enlight Media since April 2000, and held directorships at its various subsidiaries, including Beijing Enlight Pictures Co., Ltd. (北京光線影業有限公司) (“**Enlight Pictures**”) and Horgos Colorful (Enlight) Pictures Co., Ltd. (霍爾果斯彩條屋影業有限公司) (“**Colorful Pictures**”) since October 2004 and July 2015, respectively; in the technology industry, Mr. Wang has served as a director at Shenzhen Inveno Technology Co., Ltd. (深圳市英威諾科技有限公司) since June 2015 and Hangzhou Danghong Technology Co., Ltd. (杭州當虹科技股份有限公司) since December 2015; and in the finance sector, Mr. Wang has served as a director of China Renaissance Securities (China) Co., Ltd. (華菁證券有限公司) and Beijing Zhongguancun Bank Co., Ltd. (北京中關村銀行股份有限公司) since August 2016 and June 2017, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang received a bachelor's degree in journalism from Fudan University (復旦大學) in Shanghai, the PRC in July 1988.

Ms. Li Xiaoping (李曉萍), 43, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since September 2017. Ms. Li also holds directorships and senior management positions at various companies in the media industry where she has served as a deputy general manager of Enlight Media since October 1999 and as its director since July 2009, as the president of Enlight Pictures since March 2011, and also as a director of various other subsidiaries of Enlight Media including Beijing Chuanmei Zhiguang Advertising Co., Ltd. (北京傳媒之光廣告有限公司) and Beijing Enlight Yishi Internet Technology Co., Ltd. (北京光線易視網絡科技有限公司). Ms. Li also holds directorships at Beijing Tianshen Hudong Technology Co., Ltd. (北京天神互動科技有限公司) since July 2013 and Beijing Duomi Online Technology Co., Ltd. (北京多米在線科技股份有限公司), a company listed on the National Equities Exchange and Quotation (Stock Code: 839256) since May 2016.

Previously, Ms. Li served as a director at Dalian Zeus Entertainment Co., Ltd. (大連天神娛樂股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002354) between December 2014 and December 2017.

Ms. Wang Jian (王犖), 47, is a non-executive Director of the Company and holds directorships and senior management positions at various companies within the Group, including as a director of Tianjin Maoyan Weying since July 2016, as an executive director and the manager of Maoyan Picture since August 2016, and as an executive director, the general manager as well as the legal representative of Beijing Maoyan since August 2016. Currently Ms. Wang also holds directorships and senior management positions at Enlight Media and its various subsidiaries, including as a director and the general manager of Shannan Enlight Pictures Co., Ltd. (山南光線影業有限公司) since August 2017 and as an executive director of Horgos Juguang Pictures Co., Ltd. (霍爾果斯聚光影業有限公司). Ms. Wang has also served as a director at Enlight Investment since January 2009.

Previously, Ms. Wang served as the chief financial officer of Enlight Media from June 2000 to September 2011 and from August 2012 to August 2018. She also served as a board secretary from July 2009 to February 2016.

Ms. Wang received her associate's degree in foreign trade and economy from Dalian Institute of Economy and Management (大連經濟管理學院) in Liaoning, the PRC in July 1992.

Mr. Zhan Weibiao (湛煒標), 44, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since September 2017. Mr. Zhan also holds directorships at various companies in the information technology industry, including as a director of Beijing Weying Shidai since December 2017.

Mr. Zhan has over 20 years of experience in technology, media and telecom and investment sectors and had held various positions in large consulting and information technology services companies. Between July 1997 and July 1998, Mr. Zhan served as an assistant to the department head of the technology department of China Academy of Science and Technology Development (中國科技開發院). From July 1998 to June 2000, he successively served as a software engineer and a project

DIRECTORS AND SENIOR MANAGEMENT

manager at Kingdee Software (China) Co., Ltd. (金蝶軟件(中國)有限公司). From June 2000 to May 2003, he successively served as an application development consultant and a regional manager for southern China region at the Client Support Department of Microsoft (China) Co., Ltd. Guangzhou Branch (微軟(中國)有限公司廣州分公司). Since 2003, Mr. Zhan has served as a deputy general manager in the investment and acquisition department of Tencent. Besides, Mr. Zhan is currently a director of Beijing Navinfo Co., Ltd. (北京四維圖新科技股份有限公司) and Cango Inc., a company listed on the Shenzhen Stock Exchange (Stock Code: 002405) since May 2010.

Mr. Zhan received his bachelor's degrees in both engineering and economics from South China University of Technology (華南理工大學) in Guangdong, the PRC in July 1997, and his executive master of business administration from Hong Kong University of Science and Technology in Hong Kong in November 2011.

Mr. Chen Shaohui (陳少暉), 37, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since March 2017.

Mr. Chen has extensive experience in investment and strategic management. Between June 2004 and October 2005, he worked as an analyst at A.T. Kearney. From October 2005 to August 2008, he was employed as an investment manager at WI Harper Group (中經合集團). Between January 2011 and October 2014, he served as an investment director at Tencent. In November 2014, he joined Meituan Dianping and currently serves as its chief financial officer and senior vice president. In July 2018, Mr. Chen was appointed as a director at Enlight Media.

Mr. Chen received a bachelor's degree in economics from Peking University (北京大學) in Beijing, the PRC in June 2004 and a master's degree in business administration from Harvard Business School in Massachusetts, the United States, in May 2010.

Mr. Lin Ning (林寧), 44, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since September 2017. Mr. Lin has served as the chairman and chief executive officer of Beijing Weying Shidai since May 2014, and also the chairman of its subsidiaries, including Beijing Weisai Shidai Sports Technology Co., Ltd. (北京微賽時代體育科技有限公司) and the executive director of Horgos Yuyue Media Co., Ltd. (霍爾果斯娛躍文化傳播有限公司) since November 2015 and March 2017, respectively.

Mr. Lin received a bachelor's degree in television program editing from Beijing Broadcasting Institute (北京廣播學院) (now known as Communication University of China (中國傳媒大學)) in Beijing, the PRC in July 1995 and his executive master degree in business administration from Peking University (北京大學) in Beijing, the PRC in July 2009. Currently he is studying for a doctorate degree in business administration at Cheung Kong Graduate School of Business (長江商學院) in Beijing, the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Mr. Wang Hua (汪華), 41, has been appointed as an independent non-executive Director of the Company on August 22, 2018, effective in January 2019.

Mr. Wang is the founder of and currently serves as a managing partner in the investment department of Sinovation Ventures (創新工場), an established Chinese technology-savvy investment firm. Mr. Wang has extensive experience in capital investment and information technology industry. He founded Shanghai Yinda Technology Co., Ltd. (上海音達科技集團有限公司), a company providing technical solutions to telecommunication carriers and equipment providers. Between September 2006 and October 2009, Mr. Wang served as the strategic partner manager in Google China.

Mr. Wang received a bachelor's degree in automation from Shanghai University of Electric Power (上海電力大學) in Shanghai, the PRC in July 1999 and a master's degree of business administration from Stanford University in California, the United States in June 2006.

Mr. Chan Charles Sheung Wai (陳尚偉), 64, has been appointed as an independent non-executive Director of the Company on August 22, 2018, effective in January 2019.

Mr. Chan holds directorships in various companies. Since July 2012, Mr. Chan has served as an independent non-executive director of SRE Group Ltd. (上置集團), a company listed on the Hong Kong Stock Exchange (Stock Code: 1207). Since September 2013, Mr. Chan has served as an independent non-executive director of Changyou.com Ltd. (暢游有限公司), a company listed on the NASDAQ (Stock Code: CYOU). Between October 2013 and August 2015, Mr. Chan served as an independent non-executive director of Guanghui Automobile Service Co., Ltd. (廣匯汽車服務股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600297). Between January 2016 and April 2016, Mr. Chan served as an independent non-executive director of SPI Energy Co., Ltd., a company listed on the NASDAQ (Stock Code: SPI). Since May 2016, Mr. Chan has served as an independent non-executive director of CITIC Securities Ltd. (中信証券股份有限公司), a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange (Stock Code: 600030).

Between 1977 and 1994, Mr. Chan worked in Arthur Andersen Canada. Between 1994 and 2002, Mr. Chan served as a partner and head of audit and business advisory division in Arthur Andersen China / Hong Kong, during which he had been a global partner since 1998. Between July 2002 and June 2012, he served as a partner in assurance department of PricewaterhouseCoopers Zhong Tian CPAs Limited.

Mr. Chan received a bachelor's degree in commerce from University of Manitoba in Manitoba, Canada in May 1977. Mr. Chan has been a Chartered Accountant in Canada and a Certified Public Accountant in Hong Kong since 1980 and 1995, respectively. Mr. Chan was a member of Council, Hong Kong Society of Accountants (now named Hong Kong Institute of Certified Public Accountants). Between 1998 and 2001, he was a member of Listing Committee of the Hong Kong Stock Exchange. Mr. Chan was a member of the First Election Committee for the Hong Kong Legislature in April 1998.

Mr. Ma Dong (馬東), 50, has been appointed as an independent non-executive Director of the Company on August 22, 2018, effective in January 2019.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ma has extensive experience in the cultural industry. Mr. Ma served as a director and producer in China Central Television (中國中央電視臺). Between January 2013 and October 2015, he served as the chief content officer in Beijing iQIYI Technology Co., Ltd. (北京愛奇藝科技有限公司). Mr. Ma is the founder of Beijing MEWE Media Co., Ltd. (北京米未傳媒有限公司) and has served as its CEO since October 2015.

Mr. Ma received a bachelor's degree in cultural management from Beijing Film Academy (北京電影學院) in Beijing, the PRC in June 1998.

Mr. Luo Zhenyu (羅振宇), 46, was appointed as an independent non-executive Director of the Company on August 22, 2018, effective in January 2019. Mr. Luo has extensive experience in journalism and media industry.

He served as the chairman and legal representative of Beijing Logicreation Information and Technology Co., Ltd. (北京思維造物信息科技有限公司).

Mr. Luo received a doctorate degree in journalism of broadcast and television from Communication University of China (中國傳媒大學) in Beijing, the PRC in June 2011.

Save as disclosed above, none of the Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus. Save as disclosed herein, to the best knowledge, information and belief of the Directors and having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules. Save as disclosed in the sections headed "Directors and Senior Management" and "Relationship with Enlight and Tencent — Competing Interests of Directors", none of the Directors have any interest in any business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

DIRECTORS' INTEREST IN WEYING

As at the Latest Practicable Date, Mr. Lin Ning served as a director of Beijing Weying Shidai and its several subsidiaries. Mr. Zhan Weibiao also served as a director of Beijing Weying Shidai.

Immediately following the completion of the Global Offering and full conversion of the 2018 CB into our Shares based on the low end of the Offer Price range and before the Over-allotment Option, Beijing Weying Shidai, through its wholly-owned subsidiaries, will be indirectly interested in approximately 17.69% of our issued share capital assuming the Over-allotment Option is not exercised and based on the low end of the Offer Price range.

Weying engages in movie and TV series production, promotion and distribution business, which may overlap with our Group's movie and TV series production, promotion and distribution business. However, given that (i) the relationship between Weying and us in the movie and TV series industry is more akin to cooperation, rather than competition in substance; and (ii) according to the iResearch

DIRECTORS AND SENIOR MANAGEMENT

Report, the large and fast growing movie and TV series market is fragmented with a large number of market players (see “Relationship with Enlight and Tencent — 1. Relationship with Enlight — Delineation between the Business of the Group and the Business of Enlight Media — Movie and TV Series Business.”), our Directors are of the view that the risk of direct competition between the Group and Weying is limited in practice.

For the years ended December 31, 2017, our revenue from Weying, which mainly comprised of fees for movie and TV series promotion and distribution services, were RMB6.3 million, representing only 0.2% of our total revenue of the respective period, and no cost of revenue is from Weying.

SENIOR MANAGEMENT

Mr. Zheng Zhihao (鄭志昊), 49, is an executive Director and the chief executive officer of the Company. See “— Directors” in this section for his biographical details.

Mr. Gu Sibin (顧思斌), 36, is the president of the Group and the president of Tianjin Maoyan Weying since October 2017.

Mr. Gu has over 14 years of experience in the Internet and media industries. Between July 2004 to March 2014, he worked at Tencent and gained experience in, among others, internet value-added services, membership system, e-commerce, and virtual community building. Between April 2014 and September 2014, Mr. Gu served as a vice president at JD.com Inc., a company listed on the NASDAQ (Stock Code: JD), overseeing its wireless business. Between September 2014 and January 2017, Mr. Gu served as the chief product officer at Youku Tudou Inc. (優酷土豆股份有限公司), where he was responsible for product research and development, user operations and paid memberships.

Mr. Gu graduated from the college of management of Beijing University of Posts and Telecommunications (北京郵電大學) in Beijing, the PRC in July 2004.

Mr. Kang Li (康利), 36, is the chief operating officer of the Group. He joined our Group and has been serving as the vice president of Tianjin Maoyan Weying since April 2016 and the chief operating officer of Tianjin Maoyan Weying since May 2017. Mr. Kang is in charge of the overall operation and development of the Group.

Mr. Kang has over 10 years of experience in business operation management. He served as a director at Beijing Jietong Wuxian Technology Co., Ltd. (北京捷通無限科技有限公司) from November 2017 to August 2018. From March 2013 to April 2016, Mr. Kang served as a senior director and was responsible for managing the business operations of Tianjin Sankuai Technology Co., Ltd. (天津三快科技有限公司), which is a group company of Meituan Dianping, from the entertainment department of which our Group’s business originated.

Mr. Kang received an associate’s degree in marketing from Beijing City University (北京城市學院) in Beijing, the PRC in July 2005.

Mr. Shi Kangping (施康平), 42, is the chief financial officer of the Group. He joined our Group and has served as the chief financial officer of Tianjin Maoyan Weying since February 2018.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Shi has over 20 years of experience in accounting and finance. Mr. Shi served in the auditing department of Arthur Andersen LLP (安達信華強會計師事務所) from July 1998 to September 2000 and served at the transaction services department of PricewaterhouseCoopers LLP (Beijing) (普華永道諮詢(深圳)有限公司北京分公司) from January 2002 to July 2005. He served in Microsoft Corporation, a company listed on the NASDAQ (stock symbol: MSFT), from July 2007 to September 2011. After that, Mr. Shi joined Baidu, Inc. (百度股份有限公司), a company listed on the NASDAQ (stock symbol: BIDU), and served as the director of internal audit department from September 2011 to August 2014, and the director of financial planning and analysis department from August 2014 to December 2016. He served as a chief financial officer from December 2016 to December 2017 at Ping An Healthcare and Technology Company Limited (平安健康醫療科技有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 1833). He has been serving as an independent non-executive director of Dining Concepts Holdings Limited (飲食概念控股有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 8056), since December 2018.

Mr. Shi received a bachelor's degree in accounting from School of Economics and Management of Tsinghua University (清華大學) in Beijing, the PRC in July 1998 and a master's degree in Business Administration from Ross School of Business at the University of Michigan in Michigan, the United States in April 2007. Mr. Shi has been a Chartered Professional Accountant of Canada since August 2000.

JOINT COMPANY SECRETARIES

Ms. Zheng Xia (鄭霞), was appointed as a Joint Company Secretary of the Company in August 2018. Ms. Zheng has served as the legal director since joining the Company in May 2018. Ms. Zheng has over 13 years of experience as a lawyer and worked in Beijing Tianyuan Law Firm (北京市天元律師事務所) from January 2013 to December 2017.

Ms. Zheng received a bachelor's degree in law and a master's degree in law from China University of Political Science and Law (中國政法大學) in Beijing, the PRC, in June 2004 and January 2011, respectively. Ms. Zheng also obtained a LL.M degree from the University of Southern California in May 2012. Ms. Zheng is qualified as a lawyer in the PRC and New York.

Mr. Cheng Ching Kit (鄭程傑), was appointed as a Joint Company Secretary of the Company in August 2018. Mr. Cheng is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specialising in corporate services, and has over six years of experience in corporate secretarial field. He is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. Cheng obtained his bachelor of commerce degree in finance from the University of Queensland, Australia.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

The Company has established three Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

The Audit Committee of the Company consists of three independent non-executive Directors of the Company, namely CHAN Charles Sheung Wai, WANG Hua and MA Dong. CHAN Charles Sheung Wai currently serves as the chairman of the Audit Committee. The primary duties of the Audit Committee are as follows:

1. to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;
2. to review the financial information and relevant disclosures of the Company;
3. to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;
4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of internal audit of the Company and formulate the medium- to long-term audit plan, annual working plan and internal audit system setting plan of the Company as authorized by the Board, and report to the Board;
5. to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;
6. to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;
7. to monitor the non-compliance of the Company in respect of the financial reports and the risk management and internal control; and
8. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

The Nomination Committee of the Company consists of two independent non-executive Directors, namely WANG Hua and CHAN Charles Sheung Wai and one executive Director, namely ZHENG Zhihao. WANG Hua currently serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are as follows:

1. to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;
2. to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;
3. to preliminarily examine the eligibility of candidates for Directors and senior management;
4. to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and
5. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

Remuneration Committee

The Remuneration Committee of the Company consists of two independent non-executive Directors, namely WANG Hua and MA Dong, and one executive Director, namely ZHENG Zhihao. WANG Hua currently serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are as follows:

1. to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and
2. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company offers the executive Director and senior management, as its employees, with remuneration in the form of salaries, allowances, benefits in kind, performance-related bonuses, share-based payment, pensions, and other social insurance benefits. Non-executive Directors and independent non-executive Directors receive compensation according to their duties (including serving as members or chairmen of the Board committees).

For the three years ended December 31, 2015, 2016, 2017 and the nine months ended September 30, 2018, the aggregate remuneration before tax paid to our Directors and senior management was approximately RMB866,963, RMB77,371,360, RMB130,022,376 and RMB63,448,797, respectively. In accordance with the arrangements currently in force, the aggregate remuneration before tax payable to the Directors for the year ending December 31, 2019 is estimated to be approximately RMB3.5 million (excluding discretionary bonus and without consideration of the employee incentive scheme).

For the three years ended December 31, 2015, 2016, 2017 and the nine months ended September 30, 2018, the aggregate remuneration before tax provided for our five highest paid individuals by the Group was approximately RMB4,136,000, RMB94,144,000, RMB149,948,000 and RMB74,384,000, respectively. During the Track Record Period, no remuneration was paid by the Group or received by any Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

During the Track Record Period, none of the Directors waived any remuneration. Save as disclosed above, during the Track Record Period, there were no other payments paid or payable to our Directors or five highest paid individuals by the Company or any of its subsidiaries.

For the details of the service contracts and appointment letters that we have entered into with our Directors, see “Appendix VI — Statutory and General Information — C. Further Information about our Directors — 1. Particulars of Directors’ service contracts and appointment letters.”

EMPLOYEE INCENTIVE SCHEME

In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable personnel to our Group, we adopted the employee incentive scheme. For further details, see “Appendix VI — Statutory and General Information — D. Employee Incentive Scheme.”

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the date of the Listing of our Shares on the Stock Exchange and ending on the date on which the Company distributes the annual report in respect of the financial results for the first full financial year commencing after the date of the Listing, or the date on which the agreement between the Compliance Adviser and us is terminated, whichever is earlier.

DIRECTORS AND SENIOR MANAGEMENT

The Compliance Adviser shall provide the Company with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and acting as one of the channels of communication between the Company and the Stock Exchange when necessary.

The Company agrees to indemnify the Compliance Adviser for actions against and losses incurred by the Compliance Adviser arising out of, or in connection with, certain events, including the performance by the Compliance Adviser of its duties under the agreement between the Compliance Adviser and us.

The Compliance Adviser will act as the additional channel of communication between the Company and the Stock Exchange.

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PRC REGULATORY BACKGROUND

Background

Foreign investment activities in the PRC are mainly governed by the Guidance Catalog of Industries for Foreign Investment (the “**Catalog**”) and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (the “**Negative List**”), which have been promulgated and amended from time to time jointly by the MOFCOM and the NDRC. The Catalog divides industries into four categories in terms of foreign investment, namely, “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encouraged”, “restricted” and “prohibited” categories). As advised by our PRC Legal Advisor, a summary of our businesses that are subject to foreign investment restriction or prohibition in accordance with the Catalog and the Negative List (collectively, the “**Relevant Businesses**”) is set out below:

Categories

Our business/operation

Value-added telecommunication services business

Beijing Maoyan primarily engages in online ticketing sales business. Beijing Weige Shidai will start to engage in film ticketing agency business through Internet. Ruihai Fangyuan will start to engage in information service business through Internet. As advised by our PRC Legal Advisor, such business falls within the scope of “value-added telecommunication services business including Internet content provision services” under the Telecommunications Regulations of the People’s Republic of China (“**Telecommunications Regulations**”) and Regulations for the Administration of Foreign-Invested Telecommunications Enterprises promulgated by the State Council on December 11, 2001. Beijing Maoyan, Beijing Weige Shidai and Ruihai Fangyuan each holds an ICP License issued by Beijing Communication Administration (北京市通信管理局) and Guangdong Communication Administration (廣東省通信管理局), respectively.

According to the Catalog, the Negative List and other applicable PRC laws, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise conducting value-added telecommunications services business. Such restriction was confirmed during the verbal consultation with MIIT by the respective representatives of the Company and of the Joint Sponsors in August 2018. Our PRC Legal Advisor is of the view that (i) MIIT is the competent authority and its officers who attended the consultation were competent persons to provide the foregoing confirmation; and (ii) to maintain the business operation of Beijing Maoyan, Beijing Weige Shidai and Ruihai Fangyuan in compliance with applicable PRC laws and local authorities’ requirement, Beijing Maoyan, Beijing Weige Shidai and Ruihai Fangyuan must be controlled by the Company through the Contractual Arrangements.

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Performance brokerage services

Xinjiang Maoyan Live primarily engages in the provision of performance brokerage services. According to the Catalog, the Negative List and other applicable PRC laws, foreign investors are not allowed to hold more than 49% of equity interests in the enterprise conducting such business. Such restriction was confirmed during the verbal consultation with Ministry of Culture and Tourism (文化和旅遊部) by the respective representatives of the Company and of the Joint Sponsors in July 2018. Our PRC Legal Advisor is of the view that the Ministry of Culture and Tourism is the competent authority and its officers who attended the consultation were competent persons to provide the foregoing confirmation. To maintain such business operation in compliance with applicable PRC laws and regulations, we established Maoyan Live JV, which is held by the WFOE and Tianjin Maoyan Weying as to 49% and 51%, respectively. Maoyan Live JV obtained the Commercial Performance License issued by Tianjin Bureau of Culture, Radio and Television (天津市文化廣播影視局) and assumed our performance brokerage services business from Xinjiang Maoyan Live.

Movie distribution

Tianjin Maoyan Weying primarily engages in movie production, promotion and distribution, and is required to obtain Movie Distribution and Operation License (《電影發行經營許可證》) under applicable PRC laws and regulations. According to the Catalog, the Negative List and other applicable PRC laws, foreign investors are prohibited from holding equity interest in any enterprise conducting such business. Such prohibition was confirmed during the verbal consultation with the National Film Administration (國家電影局) by representatives of the Company in July 2018. Tianjin Maoyan Weying currently holds the Movie Distribution and Operation License issued by Film Bureau of State Administration of Press, Publication, Radio and Television (國家新聞出版廣電總局電影局), the predecessor of National Film Bureau. Our PRC Legal Advisor is of the view that (i) the National Film Administration is the competent authority and its officers who attended the consultation were competent persons to provide the foregoing confirmation; and (ii) to maintain Tianjin Maoyan Weying's business operation in compliance with applicable PRC laws and governmental authorities' requirement, Tianjin Maoyan Weying must continue to hold the Movie Distribution and Operation License and be controlled by the Company through the Contractual Arrangements.

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Radio and television program production

Beijing Maoyan, Maoyan Pictures and Tianjin Meimao engage in the production of Radio and television programs, and are required to hold a Radio and TV Programs Production and Operation License (《廣播電視節目製作經營許可證》) under applicable PRC laws and regulations. According to the Catalog, the Negative List and other applicable PRC laws, foreign investors are prohibited from holding equity interest in any enterprise conducting such business. Such prohibition was confirmed during the verbal consultation with National Radio and Television Administration (國家廣播電視總局) and Tianjin Bureau of Culture, Radio and Television (天津市文化廣播影視局) (the “**Radio and Television Authorities**”) by the respective representatives of the Company and of the Joint Sponsors in August 2018 and December 2018. Beijing Maoyan, Maoyan Pictures and Tianjin Meimao currently hold the Radio and TV Programs Production and Operation License issued by Beijing Municipal Bureau of Press Publication, Radio, Firm and Television (北京市新聞出版廣電局) and Tianjin Binhai New District Administration Bureau (天津市濱海新區行政審批局), respectively. Our PRC Legal Advisor is of the view that (i) the Radio and Television Authorities are the competent authority and their officers who attended the consultation were competent persons to provide the foregoing confirmation; and (ii) to maintain the business operation of Beijing Maoyan, Maoyan Pictures and Tianjin Meimao in compliance with applicable PRC laws and local governmental authorities’ requirement, Beijing Maoyan, Maoyan Pictures and Tianjin Meimao must continue to hold the Radio and TV Programs Production and Operation License and be controlled by the Company through the Contractual Arrangements.

Xinjiang Maoyan Network historically entered into service contracts, which include ticket sales agreements and other ancillary agreements such as food and beverages sales agreements, with offline cinemas and cinema circuits (“**Offline Service Contracts**”) all over China to connect cinemas and cinema circuits directly with a large and growing user base on our platform. Pursuant to the Offline Service Contracts, (i) offline cinemas and cinema circuits authorize us to sell their movie tickets and food and beverages on our platform while we provide online movie ticketing related technology services; (ii) Xinjiang Maoyan Network receives payments of movie tickets and food and beverages sold on our online platform on behalf of cinemas and cinema circuits and subsequently settles with cinema and cinema circuits at the prices parties agreed under the Offline Service Contracts; and (iii) Xinjiang Maoyan Network may charge service fees based on the services provided, and such amount will be deducted from the customers’ payment.

As advised by our PRC Legal Advisor, the offline services provided by the Company are not subject to foreign investment prohibition/restriction under PRC laws. As such, as soon as the

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Contractual Arrangements became effective in July 2018, we have started to renew all the expired Offline Service Contracts and to enter into new offline service contracts through the WFOE. As of the Latest Practicable Date, approximately 3,400 Offline Service Contracts were still valid, almost all of which are for one-year term starting from the dates of the agreements. The assignment or the termination or transfer of the Offline Service Contracts from Xinjiang Maoyan Network to the WFOE requires alteration of the pre-existing contractual rights thereunder, which is subject to the consent and assistance from the relevant contracting parties. Xinjiang Maoyan Network communicated with some of the contracting parties in relation to the proposed assignment or transfer of the contracts to the WFOE. As of the Latest Practicable Date, about 69% of the Offline Service Contracts were successfully assigned or transferred to the WFOE. As the terms of some of the Offline Service Contracts gradually expire, it is currently expected that approximately 3,200 Offline Service Contracts will still be valid by the Listing Date.

Notwithstanding the 3,200 Offline Service Contracts, which accounted for approximately 14% of the total revenue of the Company for the nine months ended September 30, 2018, will continue to be valid for a period of time after the Listing, such facts will have minimum impact on the validity and performance of the Contractual Arrangements. The Directors are of the view that we have adopted sufficient measures to reasonably mitigate the Contractual Arrangements related risk associated with such Offline Service Contracts which would be outstanding in the seven months after the Listing could be mitigated for the following grounds:

- a. The last contract among the 3,200 Offline Service Contracts will expire by August 31, 2019. Hence, the risks associated with the revenue generated through the 3,200 Offline Service Contracts, if any, will be eliminated by August 31, 2019.
- b. The 3,200 Offline Service Contracts accounted for limited revenue of the Company in 2018. The aggregate revenue to be recorded based on outstanding Offline Service Contracts to which Xinjiang Maoyan Network is a party would continue to decrease as these contracts would reach expiration dates and be renewed by WFOE from time to time in the eight months of 2019.
- c. Despite the revenue generated by the Offline Service Contracts will be accounted as Xinjiang Maoyan Network's sales for the initial seven months after Listing, the WFOE entered into an agency agreement ("**Agency Agreement**") with Xinjiang Maoyan Network in August 2018, which enables it to collect payments from end customers through third party online payment platforms and settle with offline and cinemas and cinema circuits under the Offline Service Contracts on behalf of Xinjiang Maoyan Network and to prevent Xinjiang Maoyan Network interfering with the payment collection process. Pursuant to the Agency Agreement, (i) Xinjiang Maoyan Network irrevocably engaged the WFOE to act as its agent to collect all payments from end customers, including movie tickets price, food and beverages prices and service fees, and settle with offline cinemas and cinema circuits in accordance with the Offline Service Contracts; (ii) parties agreed that the WFOE has the absolute management and supervisory power on the fund so collected, and Xinjiang

CONTRACTUAL ARRANGEMENTS

Maoyan Network cannot use such fund without the WFOE's prior written consent; and (iii) prior to the expiry of the last Offline Service Contract, any proposed change to the terms and conditions of the Agency Agreement will be subject to the unanimous written consent of the Company's Independent Non-executive Directors.

- d. To implement the Agency Agreement, (i) the WFOE entered into an online payment service agreement with Beijing Sankuai Online Technology Co., Ltd. in August 2018, pursuant to which the WFOE can collect payments from end customers through online payment platforms; (ii) Xinjiang Maoyan Network issued a payment collection notification to the cinemas and cinema circuits instructing them to pay all its receivables (including but not limited to, settlement payments, deposits and prepayments) directly to the WFOE when due; (iii) the WFOE further entered into a payment service agreement with Beijing Qiandaibao Payment Technology Co., Ltd. ("**Qiandaibao**") in August 2018 to the effect that the WFOE can direct all abovementioned payments into the special account managed by Qiandaibao and that the WFOE (instead of Xinjiang Maoyan Network) is entitled to instruct Qiandaibao to take further actions with respect to the fund in the account. After the settlement with cinemas/cinema circuits according to the Offline Service Contracts, with the consent of the WFOE, the outstanding fund will be transferred as Xinjiang Maoyan Network's dividend to Tianjin Maoyan Weying, all the economic benefit of which is enjoyed by the WFOE.
- e. As advised by our PRC Legal Advisor, the Agency Agreement as well as relevant arrangements with Beijing Sankuai Online Technology Co., Ltd. and Qiandaibao are legally valid and binding and can be enforced based on its terms under PRC laws and regulations.

As illustrated above, in order to maintain our business operations in compliance with the applicable PRC laws and regulations, the Company, as a foreign investor under the current regulatory regime, has adopted the Contractual Arrangements, which allow the Company to exercise control over the business operation of our Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom. Although the Contractual Arrangements are not narrowly tailored given the existence of the outstanding Offline Service Contracts, as illustrated above, our Directors believe that we have adopted sufficient measures to reasonably mitigate the Contractual Arrangements related risk associated with such Offline Service Contracts which would be outstanding in the seven months after the Listing.

For further details of the limitations on foreign ownership in PRC companies conducting the Relevant Businesses under PRC laws and regulations, see "Regulatory Overview."

QUALIFICATION REQUIREMENTS UNDER THE FITE REGULATIONS

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the "**FITE Regulations**"), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added

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telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in and a proven track record of operating value-added telecommunications businesses overseas (the “**Qualification Requirements**”). Foreign investors that meet these requirements must obtain approvals from the MIIT and the MOFCOM or their authorized local counterparts which retain considerable discretion in granting such approvals. Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC on its website. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant’s annual reports for the past three years, satisfactory proof of the Qualification Requirements and business development plan. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirements. Our PRC Legal Advisor has advised that as of the Latest Practicable Date, (i) this guidance memorandum has no legal or regulatory effect under the PRC laws; and (ii) none of the applicable PRC laws, regulations or rules has provided clear guidance or interpretation on the Qualification Requirements.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we plan to gradually build up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in the Consolidated Affiliated Entities when the relevant PRC laws allow foreign investors to invest and to hold a majority interest in value-added telecommunications enterprises in China. We have taken the following measures to establish and accumulate overseas operation experience:

- we currently operate our overseas website www.entertainmentplus.hk primarily for marketing and customer relations purposes. We will utilize this website to help our potential overseas customers to better understand our service and business; and
- we are applying for registration of a series of trademarks in Hong Kong for our overseas business operation and expansion.

During the verbal consultation with MIIT by the respective representatives of the Company and of the Joint Sponsors in August 2018, the relevant officers of MIIT confirmed that there is no set criteria for the Qualification Requirements and that steps such as those taken by us above may be deemed to fulfill the Qualification Requirements. Our PRC Legal Advisor is of the view that the officers of MIIT who attended the consultation were competent persons to provide the foregoing confirmation. Accordingly, subject to the discretion of the competent authority on whether the Group has fulfilled the Qualification Requirements, our PRC Legal Advisor is of the view that the above steps taken by us are reasonable and appropriate in relation to the Qualification Requirements.

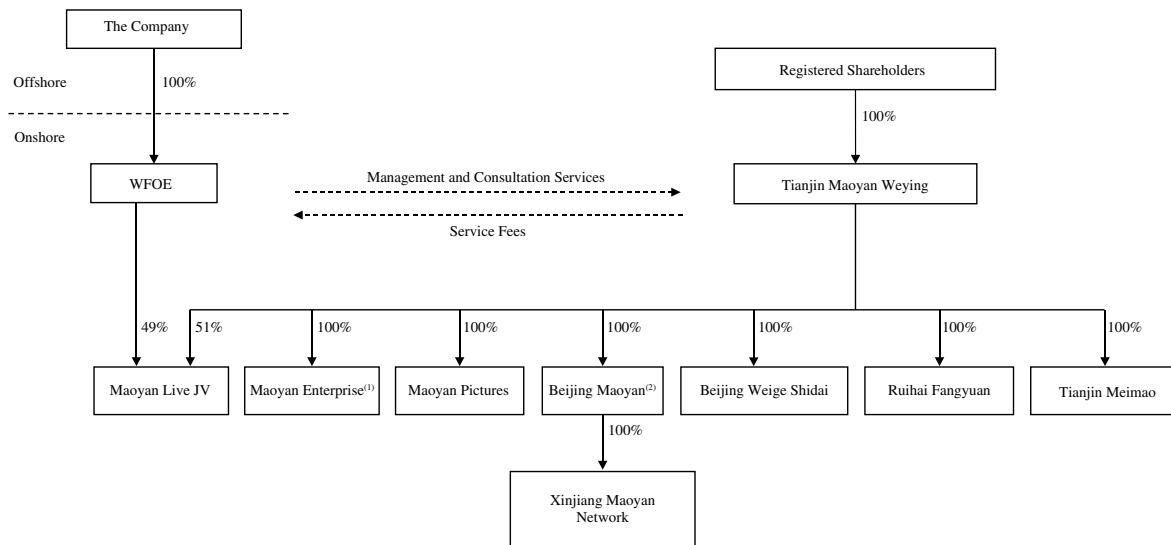
We will, as applicable and when necessary, disclose the progress of our overseas business plans and updates to the Qualification Requirements in our annual and interim reports to inform the Shareholders and other investors after the Global Offering. We will also make periodic inquiries to relevant PRC governmental authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

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OUR CONTRACTUAL ARRANGEMENTS

Overview

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements, details of which are set out in the sub-section headed “— Our Contractual Arrangements — Summary of the Material Terms under the Contractual Arrangements” in this section:



Notes:

“→” denotes direct legal and beneficial ownership in the equity interest.

“- ->” denotes contractual relationship.

- (1) Maoyan Enterprise is an investment holding company which holds, directly or indirectly, minority equity investments, amounted to approximately RMB30 million, in certain companies (“Investee Companies”) which engage in businesses subject to foreign investment prohibition or restriction, including value-added telecommunication service, Radio and television program production and internet audio-visual programs. The investments are passive and are non-controlling interests that are classified as investments accounted for using the equity method and financial assets at fair value through profit or loss. As advised by our PRC Legal Advisor, foreign investors are either prohibited or restricted from holding equity interest in companies conducting such businesses. The financial results of the Investee Companies are not consolidated into our financial statements and do not form part of our Group, and our minority investment interests in the Investee Companies are immaterial to our financial and operational results.
- (2) Beijing Maoyan has another subsidiary named Xinjiang Maoyan Live. Such subsidiary has no actual business operation and is in the process of deregistration as of the Latest Practicable Date.

Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into among the WFOE, our Consolidated Affiliated Entities and the Registered Shareholders; (ii) by entering into the Exclusive Consultation and Service Agreement with the WFOE, which is our indirect subsidiary incorporated in the PRC, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

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Summary of the Material Terms under the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Consultation and Service Agreement

Pursuant to the amended and restated exclusive consultation and service agreement dated August 9, 2018 between Tianjin Maoyan Weying and the WFOE (the “**Exclusive Consultation and Service Agreement**”), Tianjin Maoyan Weying agreed to engage the WFOE as its exclusive provider of technical support, consultation and other services, including the following services:

- providing information consultation services in respect of the Consolidated Affiliated Entities’ business;
- providing business management consultation;
- providing technical support and professional training services to relevant staff of the Consolidated Affiliated Entities;
- providing order management and customer services;
- providing marketing and promotion services;
- assisting Consolidated Affiliated Entities in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under PRC laws);
- design, development, maintenance and updating of software in respect of the Consolidated Affiliated Entities’ business;
- license and authorization of use of the software, trademarks, domain names and various other types of intellectual properties owned by the WFOE;
- design, installation, daily management, maintenance and updating of network systems, hardware and database;
- maintenance of the local area network of the Consolidated Affiliated Entities’ business and anti-virus and security management of the network of the Consolidated Affiliated Entities’ business;
- assisting Consolidated Affiliated Entities for transfer, leasing and disposal of equipment and properties;

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- providing on-site services upon request from the Consolidated Affiliated Entities, arranging engineers to provide on-site assistance for conferences and other relevant technical support and consultation services; and
- other relevant services requested by the Consolidated Affiliated Entities from time to time to the extent permitted under PRC laws.

Under the Exclusive Consultation and Service Agreement, the service fee shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, the WFOE may adjust the scope and amount of service fees as well as the payment time and method according to PRC tax law and tax practices, and Tianjin Maoyan Weying will accept such adjustments. The WFOE shall calculate the service fees on a monthly basis and issue a corresponding invoice to Tianjin Maoyan Weying. Tianjin Maoyan Weying shall make payment to the bank account designated by the WFOE within 10 days upon receipt of the invoice and send payment certificates to the WFOE.

In addition, absent the prior written consent of the WFOE, during the term of the Exclusive Consultation and Service Agreement, with respect to the services subject to the Exclusive Consultation and Service Agreement and other matters, the Consolidated Affiliated Entities shall not directly or indirectly accept the same or any similar services provided by any third party, establish cooperation relationships similar to that formed by the Exclusive Consultation and Service Agreement with any third party, or in its own initiative perform any acts which might affect the confidentiality of the technology and secrets involved in the service provided by the WFOE or the effectiveness and efficiency of the technical supports or allow any third party to do the same. The WFOE may appoint other parties, who may enter into certain agreements with the Consolidated Affiliated Entities, to provide the Consolidated Affiliated Entities with the services under the Exclusive Consultation and Service Agreement.

The Exclusive Consultation and Service Agreement also provide that the WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the Consolidated Affiliated Entities during the performance of the Exclusive Consultation and Service Agreement.

The validity period of the Exclusive Consultation and Service Agreement shall start from the execution date and it shall remain effective for 20 years unless terminated (a) by agreement between the WFOE and Tianjin Maoyan Weying; or (b) by a written notice from the WFOE at least 30 days before termination. Tianjin Maoyan Weying is not entitled to unilaterally terminate the agreement. Upon expiration of the agreement and if the WFOE intends to extend it, Tianjin Maoyan Weying shall accept the extension without conditions.

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Exclusive Option Agreement

Pursuant to the amended and restated exclusive equity transfer option agreement dated August 9, 2018 among Tianjin Maoyan Weying, the WFOE and the Registered Shareholders (the “**Exclusive Option Agreement**”), the WFOE has been granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders to transfer any or all their equity interests in Tianjin Maoyan Weying to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time. Tianjin Maoyan Weying and the Registered Shareholders, among other things, have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the constitutional documents of the Consolidated Affiliated Entities, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- they shall maintain the Consolidated Affiliated Entities’ corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling their affairs;
- without the prior written consent of the WFOE, they shall not and shall procure its subsidiaries not, at any time following the date when the Exclusive Option Agreement came into effect sell, transfer, pledge or dispose of in any manner any assets of more than RMB 5,000,000, business, operation rights or legitimate interest in the income of Tianjin Maoyan Weying;
- without the prior written consent of the WFOE, the Consolidated Affiliated Entities shall not incur, inherit, guarantee or assume any debt, except for payables incurred in the ordinary course of business not generated from loans;
- the Consolidated Affiliated Entities shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect their operating status and asset value;
- without the prior written consent of the WFOE, they shall not cause the Consolidated Affiliated Entities to execute any material contract with a value of more than RMB5,000,000, except the contracts executed in the ordinary course of business;
- without the prior written consent of the WFOE, they shall not cause the Consolidated Affiliated Entities to provide any person with any loan or credit, or guarantee for any third-party debt;
- they shall provide the WFOE with information on the Consolidated Affiliated Entities’ business operations and financial condition at the request of the WFOE;

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- if requested by the WFOE, they shall procure and maintain insurance in respect of the Consolidated Affiliated Entities' assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- without the prior written consent of the WFOE, they shall not cause or permit the Consolidated Affiliated Entities to merge, consolidate with, acquire or invest in any person;
- they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the Consolidated Affiliated Entities' assets, business or revenue, as well as any circumstances which may adversely affect the Consolidated Affiliated Entities' existence, business operation, financial situation, assets or goodwill;
- to maintain the ownership by the Consolidated Affiliated Entities of all of their assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;
- without the prior written consent of the WFOE, the Consolidated Affiliated Entities shall not in any manner distribute profits or dividends to their shareholders, provided that upon the request of the WFOE, the Consolidated Affiliated Entities shall immediately distribute all distributable profits to their shareholders;
- at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors, supervisors and senior management of the Consolidated Affiliated Entities, replace or remove the directors, supervisors and senior management of the Consolidated Affiliated Entities, and go through all relevant resolution procedures and filings;
- without the written consent of the WFOE, the Consolidated Affiliated Entities shall not engage in any business in competition with the WFOE or its affiliates;
- unless otherwise mandatorily required by PRC laws, the Consolidated Affiliated Entities shall not be dissolved or liquidated without prior written consent by the WFOE;
- if the exercise of the rights by the WFOE is obstructed due to the Consolidated Affiliated Entities' or any of their shareholders' non-compliance of their tax duties under applicable laws, the WFOE shall have the right to require them to fulfil such tax duties;
- in the event of bankruptcy, dissolution, liquidation, death or loss of legal capacity (if applicable) of any of Consolidated Affiliated Entities' shareholders, or other circumstances that may affect the Consolidated Affiliated Entities' equity interests, any successor of an existing shareholder shall be deemed to be a party to the Exclusive Option Agreement. The Consolidated Affiliated Entities shall, on or before the day of signing this agreement to make everything properly arranged and signed in order to ensure the documentations, in the event of bankruptcy, dissolution, liquidation, death, incapacity or divorce (if applicable)

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and any circumstance of their shareholders, will not affect or hinder the fulfilment of the Exclusive Option Agreement. The Exclusive Option Agreement and other contractual arrangements shall prevail any form of agreements relating to disposition of interests in the Consolidated Affiliated Entity unless prior written consent from the WFOE is obtained;

- without the prior written consent of the WFOE, the Consolidated Affiliated Entities will not and shall not assist or permit their shareholders to transfer or otherwise dispose of any option equity or to establish any security interest or other third-party rights on any option equity; and
- if signing and performance of the Exclusive Option Agreement and the stock transfer options granted under the Exclusive Option Agreement shall require any third party's consent, permission, waiver, authorization or any governmental agency's approval, license, immunity, registration or filing in accordance with the law, the Consolidated Affiliated Entities shall make every endeavour to help satisfy the above conditions.

In addition, the Registered Shareholders, among other things, have covenanted that:

- without the written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Tianjin Maoyan Weying, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement and the interests prescribed in the Proxy Agreement;
- for each exercise of the equity purchase option, they shall cause the shareholders' meeting and/or the board of directors of Tianjin Maoyan Weying to vote on the approval of the transfer of equity interests and any other action requested by the WFOE;
- Registered Shareholders whose equity interest has not been transferred shall relinquish the pre-emptive right (if any) it is entitled to in relation to the transfer of equity interest by any other shareholders to the WFOE and/or any entity or individual appointed by the WFOE pursuant to Exclusive Option Agreement;
- without the written consent of the WFOE, each of the Registered Shareholders shall not request Tianjin Maoyan Weying to distribute dividends or profits in any form, propose resolutions in relation to this at a general meeting, or vote to pass such resolutions. In any event, unless decided otherwise by the WFOE, if any Registered Shareholder receives corporate income, profits or dividends from Tianjin Maoyan Weying, they shall pay or transfer the received income, profits, dividends to the WFOE or any party designated by the WFOE to the extent allowed by the PRC laws; and
- Registered Shareholders shall also strictly comply with the provisions of the Exclusive Option Agreement between Registered Shareholders, the Consolidated Affiliated Entity and the WFOE, and shall faithfully perform the obligations under such agreements and shall not

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conduct any act and/or omission which shall affect the validity and enforceability of such agreements. If any Registered Shareholder retains any rights on the equities as in the Equity Pledge Agreement or the Proxy Agreement, it shall not exercise such rights unless instructed in writing by the WFOE.

The validity period of the Exclusive Option Agreement shall start from the execution date and it shall remain effective unless terminated if the entire equity interests held by the Registered Shareholders or their successors or the transferees in Tianjin Maoyan Weying have been transferred to the WFOE or their appointee(s).

Equity Pledge Agreement

Pursuant to the amended and restated equity pledge agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and each of the Registered Shareholders (the “**Equity Pledge Agreement**”), the Registered Shareholders agreed to pledge all their respective equity interests in Tianjin Maoyan Weying that they own, including any interest or dividend paid for the shares, to the WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in respect of Tianjin Maoyan Weying takes effect upon the completion of change of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and Tianjin Maoyan Weying under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Tianjin Maoyan Weying under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), unless such default is cured within twenty days following the Registered Shareholders or Tianjin Maoyan Weying’s receipt of the written notice which requests for the cure of such default, the WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreement, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered Shareholders.

The equity pledge registrations under the Equity Pledge Agreement as required by the relevant laws and regulations have been completed in accordance with the Equity Pledge Agreement and PRC laws and regulations.

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Proxy Agreement

Pursuant to the amended and restated proxy agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and the Registered Shareholders (collectively, the “**Proxy Agreement**”), pursuant to which, each of the Registered Shareholders irrevocably and exclusively appointed the persons designated by the WFOE (including but not limited to Directors of the WFOE’s parent company, Maoyan Entertainment, and their successors and liquidators replacing the Directors but excluding those who are non-independent or who may give rise to conflict of interests) as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Tianjin Maoyan Weying, including without limitation:

- to propose to convene and to attend shareholders’ meetings of Tianjin Maoyan Weying and to execute any and all written resolutions and meeting minutes in the name and on behalf of such shareholder;
- to exercise all shareholder’s rights and shareholder’s voting rights in accordance with law and the constitutional documents of Tianjin Maoyan Weying, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Tianjin Maoyan Weying;
- to nominate, elect, appoint or remove the legal representatives, directors, supervisors, general manager, chief financial officer and other senior management of Tianjin Maoyan Weying;
- to supervise business performance, approve annual budget, declare dividends, and consult financial information of Tianjin Maoyan Weying;
- to permit Tianjin Maoyan Weying to submit any registration documents to relevant governmental authorities and to file documents with company registry;
- to exercise voting rights on behalf of the shareholders on liquidation of Tianjin Maoyan Weying;
- If the act of directors and/or senior management harms the interests of Tianjin Maoyan Weying or its shareholders, to file a shareholder action against such directors and/or senior management or to take other legal actions;
- to approve amendments on the articles of association; and
- to exercise any other rights granted to shareholders pursuant to Tianjin Maoyan Weying’s articles of association or relevant laws and regulations.

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Undertakings from the Historical ESOP Platforms

Each of the limited partners of the Historical ESOP Platforms (namely, Mr. Kang Li, Ms. Sun Liyan and Ms. Ju Hong, each an employee of our Company), general partners of the Historical ESOP Platforms (namely, Tianjin Youchang Enterprise Management and Consultation Co., Ltd. (天津優暢企業管理諮詢有限公司, “**Tianjin Youchang**”) and Ms. Sun Liyan, as the controlling shareholder of Tianjin Youchang has signed an unconditional and irrevocable undertaking dated August 9, 2018 (the “**Historical ESOP Platforms’ Undertakings**”) to the effect, among others, that each of them undertakes:

- to procure Historical ESOP Platforms to continuously comply with the Contractual Arrangements and will not initiate or adopt any claims which will contradict with the Contractual Arrangements;
- their interests in Tianjin Maoyan Weying through the Historical ESOP Platforms are beneficially owned by the WFOE and he/she/it will not claim on such interests;
- without prior written consent of the WFOE or its designated person, he/she/it will not, and will procure the Historical ESOP Platforms not to, amend the partnership agreement, partnership composition or dispose any interests in the Historical ESOP Platforms;
- to transfer his/her/its interests in the Historical ESOP Platforms to the designated person in accordance with the instruction of the WFOE or its designated person to the extent permissible by applicable laws, and to remit the consideration (if any) to the WFOE or its designated person;
- to procure the Historical ESOP Platforms not to raise any proposition or take any action against the Contractual Arrangements based on their shares in Tianjin Maoyan Weying;
- if the WFOE or any individual designated by it requires amendments on relevant items of the Historical ESOP Platforms in accordance with the Contractual Arrangements, to facilitate and accomplish such requirements as requested; and
- if he/she/it breaches any of the undertakings, to bear liability of such breach in the same way as a breaching party does under the Contractual Arrangements and compensate for losses.

Spouse undertakings

The spouse of each of the limited partners of the Historical ESOP Platforms and shareholders of Tianjin Youchang (namely, Mr. Wang Hongtian and Ms. Sun Liyan), has signed an undertaking (the “**Spouse Undertakings**”) to the effect, among others, that each of them unconditionally and irrevocably:

- confirmed and agreed that their spouse’s existing and future equity interests in Tianjin Maoyan Weying through Historical ESOP Platforms (together with any other interests

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therein) are separate properties of their spouse and do not fall within the scope of communal properties; the Historical ESOP Platforms are entitled to deal with the respective spouse's equity interests and any interests therein in Tianjin Maoyan Weying in accordance with the Contractual Arrangements without the prior consent of them;

- confirmed that the respective spouse may further amend or terminate the Contractual Arrangements without the need for authorization or consent by him/her;
- will not raise any proposition or take any action against the Contractual Arrangements based on the shares in Tianjin Maoyan Weying held by their spouse through the Historical ESOP Platforms;
- if all or part of the shares held by their spouse through Historical ESOP Platforms are transferred to him/her, to pledge, sell or dispose such shares in accordance with the provisions and requirements prescribed in the Contractual Arrangements, to observe obligations of Historical ESOP Platforms as a shareholder of Tianjin Maoyan Weying under the Contractual Arrangements, and to sign all necessary documents and take all necessary actions to ensure the Contractual Arrangements to be properly performed;
- promised that he/she has never and does not intend to participate in the operation, management or voting matters of the Tianjin Maoyan Weying; and
- waives, unconditionally and irrevocably, any shareholding rights or any other rights related to the equities that may be vested in him/her accordance with applicable laws.

Other key terms thereunder

Dispute resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the requirements under PRC laws, the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of our Consolidated Affiliated Entities; any party may apply to the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company), and the places where the principal assets of our Consolidated Affiliated Entities are located for interim remedies or injunctive relief.

However, our PRC Legal Advisor has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entities pursuant to the

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current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that the Consolidated Affiliated Entities or the Registered Shareholders or the other individuals stated above breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See “Risk Factors — Risks Relating to our Contractual Arrangements.”

Potential conflict of interest

To ensure our effective control over the Consolidated Affiliated Entities, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Pursuant to the Exclusive Option Agreement, the WFOE has the right to require the Registered Shareholders to transfer any or all their equity interests in Tianjin Maoyan Weying to the WFOE or its designated third party. Under the Proxy Agreement, each of the Registered Shareholders appointed the persons designated by the WFOE (excluding non-independent persons or persons who may give rise to conflicts of interests) as their attorney-in-fact to exercise its rights in respect of its equity interests in Tianjin Maoyan Weying. Furthermore, under the Spouse Undertakings, spouses of the limited partners of the Historical ESOP Platforms and shareholders of Tianjin Youchang unconditionally and irrevocably (i) acknowledged the entry into of the Contractual Arrangements by their spouses; (ii) confirmed that any equity interests of their spouses in Tianjin Maoyan Weying do not fall within the scope of their community properties; (iii) undertook that he or she shall not take any actions against the Contractual Arrangements; and (iv) confirmed that his or her consent and approval is not required for the implementation of the Contractual Arrangements, any amendments thereto or the termination thereof. Based on the foregoing, our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with potential conflicts of interest between our Group and the Registered Shareholders and that these measures are sufficient to protect our Group’s interest in the Consolidated Affiliated Entities.

Loss sharing

Under the relevant PRC laws and regulations, none of our Group and the WFOE is expressly legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, each of our Consolidated Affiliated Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. The WFOE intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group mainly conducts its business operations in the PRC through the Consolidated Affiliated Entities, and that their financial position and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses.

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However, as provided in the Exclusive Option Agreement, without the prior written consent of the WFOE, Tianjin Maoyan Weying shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of their material assets of more than RMB 5,000,000; (ii) execute any material contract with a value of more than RMB 5,000,000, except those entered into in the ordinary course of business; (iii) provide any loan, credit or guarantees in any form to any third party, or allow any third party create any other security interests on its assets or equity; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business; (v) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; (vi) increase or reduce its respective registered capital, or alter the structure of its registered capital in any other way, or amend its articles of association, (vii) conduct any act or act of omission that may adversely affect its operation condition or value of assets, (viii) distribute any dividends to the Registered Shareholders, (ix) conduct any business that competes with the business of the WFOE or its affiliates, or (x) liquidate or dissolve. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from the Consolidated Affiliated Entities can be limited to a certain extent.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the Registered Shareholders shall give the proceeds they received from liquidation as a gift to the WFOE or its designee(s) to the extent permitted by the PRC laws.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Company's confirmation

As of the Latest Practicable Date, the Company had not encountered any interference or encumbrance from any PRC governmental authorities in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

Circumstances under which we will adjust or unwind the Contractual Arrangements

We will adjust or unwind (as the case maybe) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for the Relevant Licenses made by sino-foreign equity joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisor is of the opinion that the Contractual Arrangements are designed to minimize the potential conflict with relevant PRC laws and regulations and that upon the execution of the Contractual Arrangements:

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- (a) all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorisations to execute and perform the Contractual Arrangements;
- (b) the parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of them would be deemed as “concealment of illegal intentions with a lawful form” and void under the PRC Contract Law;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entities or the WFOE;
- (d) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that:
 - a. the exercise of the option by our WFOE or its designee of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in Tianjin Maoyan Weying is subject to the approvals of filing with and/or registrations with the PRC governmental authorities;
 - b. any share pledge contemplated under the Equity Pledge Agreement are subject to the registration with local administration bureau for industry and commerce; and
 - c. the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement.
- (e) each of the Contractual Arrangements is valid, legal and binding under PRC laws, except for the following provisions regarding dispute resolution and the liquidating committee:
 - a. the Contractual Arrangements provide that any dispute shall be submitted to the CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC (being the place of incorporation of our Consolidated Affiliated Entities) and the places where the principal assets of the Consolidated Affiliated Entities are located also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Consolidated Affiliated Entities. However, our PRC Legal Advisor has advised that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; and
 - b. the Contractual Arrangements provide that the Registered Shareholders have appoint the person designated by the WFOE to exercise on their behalf to exercise voting

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rights on liquidation of the Consolidated Affiliated Entities, which shows that the Registered Shareholders undertake to appoint a committee designated by our WFOE as the liquidation committee upon the winding up of the Consolidated Affiliated Entities to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

Notwithstanding the foregoing, the respective representatives of the Company and of the Joint Sponsors consulted with competent authorities supervising the Company's Relevant Businesses in July and August 2018. During the consultations, the relevant authorities confirmed that the Contractual Arrangements would not be challenged or subject to penalty by the relevant authorities for violation of any PRC laws or regulations. Our PRC Legal Advisor has advised us that (i) such authorities are competent government authorities for the Company's Relevant Businesses and are competent to interpret the relevant PRC laws, regulations and rules for the industry in which our Company operates its business and make the abovementioned oral confirmations; and (ii) based on such consultations, the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. Our PRC Legal Advisor is of the view that the adoption of the Contractual Arrangements does not constitute a breach of the relevant laws and regulations.

Based on the above analysis and advice from our PRC Legal Advisor, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. See "Risk Factors — Risks Relating to Our Contractual Arrangements."

We are aware of a Supreme People's Court ruling (the "**Supreme People's Court Ruling**") made in October 2012 and two arbitral decisions from the Shanghai International Arbitration Centre made in 2010 and 2011 which invalidated certain contractual agreements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC and (ii) the incentive for the Registered Shareholders under such contractual structures to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisor is of the view that the relevant terms of our Contractual Arrangements do not fall within the above five circumstances. In particular, our PRC Legal Advisor is of the view that the Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" such that they also do not fall within circumstance (iv) above under Article 52 of the PRC Contract Law because the Contractual Arrangements were not entered into for illegitimate purposes. The purpose of the Contractual Arrangements are (a) to enable the Consolidated Affiliated Entities to transfer its

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economic benefits to the WFOE as service fees and (b) to ensure that the Registered Shareholders do not take any actions that are contrary to the interests of the WFOE. In accordance with Article 4 of the PRC Contract Law, which is a section of the Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right. In addition, the effect of the Contractual Arrangements, which is to allow our Company to list on the Stock Exchange while obtaining the economic benefits of our Consolidated Affiliated Entities, is not for an illegitimate purpose, as evidenced by the fact that a number of currently listed companies also adopt similar contractual arrangements. In conclusion, our PRC Legal Advisor is of the view that the Contractual Arrangements do not fall within any of the five circumstances set forth in Article 52 of the PRC Contract Law.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of Consolidated Affiliated Entities

Under the Exclusive Consultation and Service Agreement, it was agreed that, in consideration of the services provided by the WFOE, Tianjin Maoyan Weying shall pay service fees to the WFOE. The service fees shall equal to approximately 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. The WFOE has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities.

In addition, under the Exclusive Equity Option Agreement, the WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders as the WFOE's prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay, as part of the service fees under the Exclusive Consultation and Service Agreement, such income, profit distribution or dividend to the WFOE or any other person designated by the WFOE to the extent permitted under applicable PRC laws.

As a result of the Contractual Arrangements among our WFOE, Tianjin Maoyan Weying, the Registered Shareholders and the individuals stated above, our WFOE is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 2.1 to the Accountant's Report set out in Appendix I.

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DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Draft Foreign Investment Law

Background

The MOFCOM published a discussion draft of a proposed Foreign Investment Law (the “**2015 Draft Foreign Investment Law**”) in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in the PRC. The MOFCOM has solicited comments on this draft in early 2015 and substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. The 2015 Draft Foreign Investment Law, if enacted in the form and substance as it is currently proposed, may materially impact the entire legal framework regulating foreign investment in the PRC.

Negative list

The 2015 Draft Foreign Investment Law stipulates restrictions of foreign investment in certain industry sectors. The “negative list” set out in the 2015 Draft Foreign Investment Law classifies the relevant prohibited and restricted industries into the “Catalog of Prohibitions” and the “Catalog of Restrictions”, respectively:

- **Catalog of Prohibitions:** Foreign investors are not allowed to invest in any sector set out in the Catalog of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalog of Prohibitions, unless otherwise specified by the State Council.
- **Catalog of Restrictions:** Foreign investors are allowed to invest in sectors set out in the Catalog of Restrictions, provided that they fulfill certain conditions and apply for permission before making such investment.

However, the 2015 Draft Foreign Investment Law does not specify the businesses to be included in the Catalog of Restrictions and the Catalog of Prohibitions.

Control by PRC entities and/or citizens

The 2015 Draft Foreign Investment Law specifically provides that entities established in China but “controlled” by foreign investors will be considered as FIEs, whereas an entity organized in a foreign jurisdiction but cleared by the authority in charge of foreign investment as “controlled” by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the Catalog of Prohibitions on the “negative list” to be issued, subject to the examination of the relevant authorities in charge of foreign investment. For these purposes, “control” is broadly defined in the 2015 Draft Foreign Investment Law to cover any of the following categories:

- (1) directly or indirectly holding 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;

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- (2) directly or indirectly holding less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but:
 - (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision-making bodies;
 - (b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision-making bodies; or
 - (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders meeting or the board; or
- (3) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

In respect of “actual control”, the 2015 Draft Foreign Investment Law looks at the identity of the ultimate natural person or enterprise that controls the FIE. “Actual control” refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Article 19 of the 2015 Draft Foreign Investment Law defines “actual controllers” as the natural persons or enterprises that directly or indirectly control foreign investors or FIEs.

If an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a “negative list” to be separately issued by the State Council in the future, market entry clearance by the authority in charge of foreign investment would be required.

Impact of the 2015 Draft Foreign Investment Law on VIE

The “variable interest entity” structure or VIE structure, has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control over the Consolidated Affiliated Entities by the WFOE, through which we operate our businesses in the PRC. According to the 2015 Draft Foreign Investment Law, where the FIE under the actual control of PRC investors (either by way of PRC state-owned enterprises or agencies or PRC citizens) invests in a sector set out in the Catalog of Restrictions, when applying for access permission, they may submit documentary evidence to apply for identification as an investment by PRC entities and/or citizens.

Notwithstanding that the accompanying explanatory notes to the 2015 Draft Foreign Investment Law (the “**Explanatory Notes**”) do not provide a clear direction in dealing with VIE structures existing before the 2015 Draft Foreign Investment Law becomes effective, the Explanatory Notes contemplate three possible approaches in dealing with FIEs with existing VIE structures and conducting business in an industry falling within the “negative list”:

- (1) requiring them to make a filing to the competent authorities that the actual control is vested with Chinese investors, after which the VIE structures may be retained;
- (2) requiring them to apply to the competent authorities for certification that their actual control is vested with Chinese investors and, upon verification by the competent authority, the VIE structures may be retained; and

CONTRACTUAL ARRANGEMENTS

- (3) requiring them to apply to the competent authority for access permission to continue to use the VIE structure. The competent authorities together with the relevant departments will then make a decision after taking into account the actual control of the FIE and other factors.

To further clarify, under the first possible approach, “making a filing” is simply an information disclosure obligation, which means the enterprise does not have to receive any confirmation or permission from the competent authorities, while for the second and third approaches, the enterprise has to receive either the confirmation or the access permission from the competent authorities. For the latter two approaches, the second approach focuses on the nationality of the controller, whereas the third approach may take factors in addition to the nationality of the controller (which are not clearly defined in the 2015 Draft Foreign Investment Law and the Explanatory Notes) into consideration.

The three possible approaches above are set out in the Explanatory Note to solicit public opinion on the treatment of existing contractual arrangements, have not been formally adopted and may be subject to revisions and amendments taking into account the results of the public consultation. The 2015 Draft Foreign Investment Law also stipulates that investors from Hong Kong, Macau and Taiwan who control a domestic enterprise may attract special treatment and recommends the State Council to separately issue regulations to this effect.

Where foreign investors and FIEs circumvent the provisions of the 2015 Draft Foreign Investment Law by entrusted holdings, trusts, multi-level re-investments, leasing, contracting, financing arrangements, protocol control, overseas transactions or otherwise, make investments in sectors specified in the Catalog of Prohibitions, to make investments in sectors be imposed in accordance with Article 144 (Investments in Sectors Specified in the Catalog of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the 2015 Draft Foreign Investment Law, as the case may be.

If foreign investors make investments in the sectors specified in the Catalog of Prohibitions or the Catalog of Restrictions without obtaining necessary permission, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the Central Government at the place where the investments are made shall order them to cease the implementation of the investments, dispose of any equity or other assets within a prescribed time limit, confiscate any illegal gains and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

If foreign investors or FIEs are in violation of the provisions of the 2015 Draft Foreign Investment Law, including by way of failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the central government at the place where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

CONTRACTUAL ARRANGEMENTS

Despite the content and the classification of the categories in the “negative list” being unclear and unpredictable at this stage, we will take any reasonable measures and actions under the Foreign Investment Law then in force to minimize the adverse effect of such laws on the Contractual Arrangements.

STATUS OF PROMULGATION OF THE 2015 DRAFT FOREIGN INVESTMENT LAW

As of the Latest Practicable Date, there is no certainty whether, or definite timeline when, the finalized/new Foreign Investment Law will come into effect, and more importantly, whether it is to be promulgated in the current draft form, and MOFCOM has neither issued any definite rules or regulations to govern existing contractual arrangements, nor any regulations concerning the treatment of investors from Hong Kong, Macau and Taiwan who control a domestic enterprise.

Control over our Consolidated Affiliated Entities by PRC entities and/or citizens

Immediately upon completion of the Global Offering (assuming full conversion of the 2018 CB into our Shares and after exercise of the Over-allotment Option in full), more than 50% of the voting rights of our Company will be held by among others, Hong Kong Pictures International Limited, Vibrant Wide Limited, Inspired Elite Investment Limited and Weying (BVI) Limited, which are directly or indirectly controlled by PRC entities or PRC citizens. Therefore, if the 2015 Draft Foreign Investment Law is promulgated in the current draft form, our PRC Legal Advisor is of the view that we are likely to be in compliance with the 2015 Draft Foreign Investment Law.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefit from our Consolidated Affiliated Entities alone may not be effective in ensuring compliance with the Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. See “Risk Factors — Risks relating to our Contractual Arrangements.”

Potential impact to our Company if the Contractual Arrangements are not treated as domestic investment

If the operation of the Relevant Businesses is no longer on the “negative list” and we can legally operate the Relevant Businesses under PRC Laws, our WFOE will exercise the equity purchase option under the Exclusive Equity Option Agreement to acquire the equity interest of the Consolidated Affiliated Entities and unwind the Contractual Arrangements subject to any then applicable approvals from relevant authorities.

If the operation of the Relevant Businesses is on the “negative list” and the 2015 Draft Foreign Investment Law as finally enacted is refined or deviates from the current draft, depending on the treatment of existing VIE structures, the Contractual Arrangements may be regarded as invalid and illegal. As a result, we would not be able to operate the Relevant Businesses through the Contractual Arrangements and would lose our rights to receive the economic benefits of the Consolidated

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Affiliated Entities. As a result, the financial results of the Consolidated Affiliated Entities would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If our Group does not receive any compensation, an investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing entities engaged in the information service industry, some of which have obtained listing status abroad, are operating under contractual arrangements, our Directors are of the view that it is unlikely, if the 2015 Draft Foreign Investment Law is promulgated, that the relevant authorities will apply it retrospectively to require relevant enterprises to remove or otherwise unwind their contractual arrangements.

However, there are uncertainties as to the definition of control that may be adopted in the 2015 Draft Foreign Investment Law as finally enacted, and the relevant government authorities will have a broad discretion in interpreting the law. See "Risk Factors — Risks Relating to Our Contractual Arrangements" for further details of the risks we face relating to our Contractual Arrangements. In any event, our Company will take reasonable steps in good faith to seek compliance with the enacted version of the FIL, if and when it comes into force.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (2) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (3) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (4) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and review the legal compliance of our WFOE and Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming full conversion of the 2018 CB into our Shares, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme), the following persons are expected to have an interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Global Offering (assuming the Offer Price at the low end of the indicative Offer Price range and the Over-allotment Option is not exercised)		Shares held immediately following the completion of the Global Offering (assuming the Offer Price at the high end of the indicative Offer Price range and the Over-allotment Option is not exercised)		Shares held immediately following the completion of the Global Offering (assuming the Offer Price at the low end of the indicative Offer Price range and the Over-allotment Option is exercised in full)		Shares held immediately following the completion of the Global Offering (assuming the Offer Price at the high end of the indicative Offer Price range and the Over-allotment Option is exercised in full)	
		Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Mr. WANG Changtian ⁽¹⁾	Interest in controlled corporations	94,293,169	48.80%	471,465,845	41.86%	471,465,845	42.15%	471,465,845	41.14%	471,465,845	41.41%
Vibrant Wide Limited ⁽¹⁾⁽²⁾	Beneficial interest	55,595,925	28.77%	277,979,625	24.68%	277,979,625	24.85%	277,979,625	24.25%	277,979,625	24.42%
Hong Kong Pictures International Limited ⁽¹⁾	Beneficial interest	38,697,244	20.03%	193,486,220	17.18%	193,486,220	17.30%	193,486,220	16.88%	193,486,220	17.00%
Inspired Elite Investment Limited ⁽³⁾	Beneficial interest	16,538,795	8.56%	82,693,975	7.34%	82,693,975	7.39%	82,693,975	7.22%	82,693,975	7.26%
Meituan Dianping ⁽³⁾	Interest in controlled corporation	16,538,795	8.56%	82,693,975	7.34%	82,693,975	7.39%	82,693,975	7.22%	82,693,975	7.26%
WANG Xing ⁽³⁾	Interest in controlled corporation	16,538,795	8.56%	82,693,975	7.34%	82,693,975	7.39%	82,693,975	7.22%	82,693,975	7.26%
Weying MY (BVI) Limited	Beneficial interest	3,022,869	1.56%	15,114,345	1.34%	15,114,345	1.35%	15,114,345	1.32%	15,114,345	1.33%
Weying NZ (BVI) Limited	Beneficial interest	5,301,855	2.74%	26,509,275	2.35%	26,509,275	2.37%	26,509,275	2.31%	26,509,275	2.33%
Weying (BVI) Limited ⁽⁴⁾	Beneficial interest and interest in controlled corporation	39,845,199	20.62%	199,225,995	17.69%	199,225,995	17.81%	199,225,995	17.38%	199,225,995	17.50%
Weying Co Limited ⁽⁴⁾	Interest in controlled corporation	39,845,199	20.62%	199,225,995	17.69%	199,225,995	17.81%	199,225,995	17.38%	199,225,995	17.50%
Beijing Weying Shidai ⁽⁴⁾	Interest in controlled corporation	39,845,199	20.62%	199,225,995	17.69%	199,225,995	17.81%	199,225,995	17.38%	199,225,995	17.50%
Image Flag Investment (HK) Limited ⁽⁵⁾	Beneficial interest	31,433,852	16.27%	157,169,260	13.96%	157,169,260	14.05%	157,169,260	13.71%	157,169,260	13.81%
Tencent ⁽⁵⁾	Interest in controlled corporation	31,433,852	16.27%	157,169,260	13.96%	157,169,260	14.05%	157,169,260	13.71%	157,169,260	13.81%

Notes:

- (1) As of the Latest Practicable Date, Vibrant Wide Limited and Hong Kong Pictures International Limited directly held 55,595,925 shares and 38,697,244 shares in our Company, respectively. Vibrant Wide Limited is owned by Mr. WANG Changtian as to 100% of its equity interests. Hong Kong Pictures International Limited is an indirectly wholly-owned

SUBSTANTIAL SHAREHOLDERS

subsidiary of Enlight Media, which is owned by Enlight Investment as to 44.06% of its equity interests, which in turn is owned by Mr. WANG Changtian as to 95% of its equity interests. Therefore, Mr. WANG Changtian is deemed to be interested in the 94,293,169 shares held by Vibrant Wide Limited and Hong Kong Pictures International Limited for purpose of Part XV of the SFO.

- (2) In 2017, Enlight Investment pledged its equity interest in Tianjin Maoyan Weying in favour of Beijing Branch of China Merchant Bank Co. Ltd. and China Resources SZITIC Trust Co., Ltd. (together, the “**Pledges**”) to secure a loan (the “**2017 Pledge**”). The 2017 Pledge has been released during the Reorganization. As of the Latest Practicable Date, all of the shares of the Company held by our Shareholders are free of encumbrance. In consideration of the release of the 2017 Pledge, Mr. WANG Changtian and Enlight Investment agreed on August 2, 2018, to pledge the Shares that will be owned by Mr. WANG Changtian through Vibrant Wide Limited to the Pledges within one month after our Listing (the “**2018 Pledge**”). The number of Shares to be pledged will be 19.73% multiplied by RMB9 billion, and divided by the lower of (a) the average price of our Shares during the first 20 days after our Listing; and (b) the closing price of our Shares on the day prior to the 2018 Pledge.
- (3) As of the Latest Practicable Date, Inspired Elite Investment Limited directly held 16,538,795 shares in our Company. Inspired Elite Investment Limited is a wholly-owned subsidiary of Meituan Dianping, which is ultimately controlled by Mr. WANG Xing. Therefore, Mr. WANG Xing is deemed to be interested in the 16,538,795 shares held by Inspired Elite Investment Limited for purpose of Part XV of the SFO.
- (4) As of the Latest Practicable Date, Weying (BVI) Limited directly held 31,520,475 shares in our Company and indirectly held 8,324,724 shares (3,022,869 shares through Weying MY (BVI) Limited and 5,301,855 shares through Weying NZ (BVI) Limited) in our Company. Weying (BVI) Limited was wholly-owned by Weying Co. Limited, which is owned as to 100% by Beijing Weying Shidai and there is no controlling shareholder of Beijing Weying Shidai. Therefore, Weying Co. Limited and Beijing Weying Shidai are deemed to be interested in the 39,845,199 shares held by Weying (BVI) Limited for purpose of Part XV of the SFO.
- (5) As of the Latest Practicable Date, Image Flag Investment (HK) Limited directly held 31,433,852 shares in our Company. Image Flag Investment (HK) Limited was wholly-owned by Tencent. Therefore, Tencent is deemed to be interested in the 31,433,852 shares held by Image Flag Investment (HK) Limited for purpose of Part XV of the SFO.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering, have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

As of the Date of this Prospectus	Aggregate nominal value of Shares (U.S.\$)
<i>Authorized share capital</i>	50,000
477,534,060 class A ordinary shares of US\$0.0001 each	47,753.40
12,803,170 class B1 ordinary shares of US\$0.0001 each	1,280.32
4,831,385 class B2 ordinary shares of US\$0.0001 each	483.14
4,831,385 series A preferred shares US\$0.0001 each	483.14
<i>Issued share capital</i>	19,323.73
170,771,319 class A ordinary shares of US\$0.0001 each	17,077.13
12,803,170 class B1 ordinary shares of US\$0.0001 each	1,280.32
4,831,385 class B2 ordinary shares of US\$0.0001 each	483.14
4,831,385 series A preferred shares US\$0.0001 each	483.14
 Immediately after completion of the share redesignation and share subdivision	
<i>Authorized Share capital</i>	
2,500,000,000 Shares of US\$0.00002 each	50,000
<i>Issued Share capital</i>	
966,186,295 Shares of US\$0.00002 each	19,323.73
<i>Shares to be converted from the 2018 CB</i>	
20,063,436 Shares of US\$0.00002 each (based on high end of the Offer Price range)	401.27
27,655,006 Shares of US\$0.00002 each (based on the low end of the Offer Price range)	553.10
<i>Shares to be issued under the Global Offering (assuming the Over-allotment Option is not exercised)</i>	
132,377,000 Shares of US\$0.00002 each	2,647.54
<i>Total issued Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)</i>	
1,118,626,731 Shares of US\$0.00002 each (based on high end of the Offer Price range.)	22,372.53
1,126,218,301 Shares of US\$0.00002 each (based on the low end of the Offer Price range)	22,524.37

SHARE CAPITAL

ASSUMPTIONS

The above table assume that: (i) the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering; (ii) full conversion of the 2018 CB into our Shares; (iii) the Over-allotment Option is not exercised; and (iv) without taking into account the Shares which may be issued upon the exercise of options which have been granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may be subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See “Appendix V — Summary of the Constitution of the Company and Cayman Islands Companies Law — 2. Articles of Association.”

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme); and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed “— General Mandate to Repurchase Shares” in this section.

SHARE CAPITAL

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See "Appendix VI — Statutory and General Information — A. Further Information about our Group — 4. Resolutions of the Shareholders of our Company dated January 11, 2019."

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix VI — Statutory and General Information — A. Further Information about our Group — 4. Resolutions of the Shareholders of Our Company dated January 11, 2019."

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

SHARE CAPITAL

See “Appendix VI — Statutory and General Information — A. Further Information about our Group — 4. Resolutions of the Shareholders of Our Company dated January 11, 2019.”

EMPLOYEE INCENTIVE SCHEME

In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable personnel to our Group, we adopted employee incentive scheme. For further details, see “Appendix VI — Statutory and General Information — D. Employee Incentive Scheme.”

FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis 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, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."

OVERVIEW

We are a leading platform providing innovative Internet-empowered entertainment services in China, offering online entertainment ticketing services, entertainment content services, e-commerce services and advertising services and others.

Building upon our integrated technology systems, analytical insights into users' behaviors and preferences and our deep understanding of the entertainment industry, we operate an industry-leading Internet-empowered entertainment service business providing:

- **Online Entertainment Ticketing Services.** We offer online ticketing services for comprehensive entertainment formats such as movies and entertainment events;
- **Entertainment Content Services.** We operate an integrated platform to provide entertainment content services, ranging from distribution, promotion to production, for various entertainment formats including movies, TV series, web series, web movies, variety shows and entertainment events;
- **E-commerce Services.** We offer in-venue food and beverages preordering services and IP-derivative merchandise sales online. We also offer membership subscriptions to users. We typically act as a sales agent in such services and receive a pre-agreed commission; and
- **Advertising Services and Others.** Leveraging our well-rounded marketing resources, we serve advertisers in both entertainment industry and other industries such as automobile, electronics and consumer products.

Our revenue grew from RMB596.7 million in 2015 to RMB1,377.5 million in 2016, and further to RMB2,548.0 million in 2017, representing a CAGR of 106.6%. Our revenue for the nine months ended September 30, 2017 and 2018 was RMB1,534.6 million and RMB3,062.3 million, respectively, representing a growth rate of 99.6%. We had net losses of RMB1,297.5 million, RMB508.2 million and RMB76.1 million in 2015, 2016 and 2017, respectively, and RMB152.1 million, RMB144.0 million in the nine months ended September 30, 2017 and 2018, respectively. We had adjusted net loss

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of RMB1,270.2 million and RMB300.5 million in 2015 and 2016, respectively, adjusted net profit of RMB123.9 million in 2017, and adjusted net profit of RMB12.4 million and adjusted net loss of RMB16.9 million in the nine months ended September 30, 2017 and 2018, respectively. We completed the acquisitions of Beijing Weige Shidai and Ruihai Fangyuan in September 2017 (the “**Weying Acquisition**”). Our business expansion and revenue growth have benefited from both our organic growth and the Weying Acquisition.

Path to Profitability

We started our business in 2013 and have a limited operating history. Our total revenue grew from RMB596.7 million in 2015 to RMB1,377.5 million in 2016, and further to RMB2,548.0 million in 2017, representing a CAGR of 106.6%. Our revenue in the nine months ended September 30, 2017 and 2018 was RMB1,534.6 million and RMB3,062.3 million, respectively, representing a growth rate of 99.6%. We generate revenue from the following services:

- Online entertainment ticketing services. Such revenue is primarily derived from us charging a service fee for providing such services to cinemas, venue operators and event promoters. We also offer ticket refund and exchange services for some movies and entertainment events and may charge a separate fee from the cinemas, venue operators and event promoters;
- Entertainment content services. We primarily generate revenue from the following sources:
 - (i) promotional payments from content production companies for our distribution and promotion services, including the payment to cover our content distribution and promotion cost; (ii) a distribution fee which is primarily a percentage of the total revenue of the entertainment content we distribute; and (iii) for the entertainment content that we provide production services to and/or invest in, a profit sharing from the revenue of the relevant entertainment content. Revenue of each of our movie production projects is recognized on gross or net basis.
 - Where we involve ourselves in the determination of idea origination, production crew, cast selection, shooting and post-production with other co-producers and determine the distribution and promotion plan as distributor for a movie, and when the key relevant activities of the movie production are discussed and jointly determined by us and other co-producers, the arrangement is considered in substance as a joint operation. As a result, we recognize the share of revenue and cost of the movie based on our own interest percentage in it. Such revenue is recognized on a gross basis over the movie screening period according to the box office, and the relevant investment costs of such movie (also representing the costs of the movie shared with us) are recognized and presented as cost of revenue in the same pattern as the aforesaid revenue recognition.
 - Where we are not involved in the determination of idea origination, production crew, cast selection, shooting and post-production, but participate only in the distribution and promotion of a movie, we are not considered to be involved in the movie production process, and the main purpose of the investment in the movie is to obtain

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the distribution right from the movie production companies and to earn the distribution fee. Given that distribution services are provided by us to producers/movie production companies and that an investment made by us in the relevant movie is also paid to the same producer/movie production company, such investment cost is considered as in substance consideration payable to a customer. As a result, such investment cost shall be accounted for as a reduction of revenue. Such revenue is recognized on a net basis over the movie screening period according to the box office, after the reduction of our investment cost.

- E-commerce services. Such revenue is primarily derived from us charging a commission fee ranging from 3% to 30% on the sales of food and beverages, IP-derivative merchandise and membership subscriptions.
- Advertising services and others. We charge advertising fees for services provided to advertisers in both the movie industry and various other industries including automobile, electronics and consumer goods. The advertising fees are typically determined based on anticipated exposure associated with the advertising resources.

During the Track Record Period, we consistently generated growing gross profit as set out in the following table.

	Year ended December 31,			Nine Months ended September 30,	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Gross profit	298.5	887.6	1,742.0	1,065.5	1,962.3
Gross margin*	50.0%	64.4%	68.4%	69.4%	64.1%

Note:

* We recognize online entertainment ticketing service revenue on a net basis.

However, as we are still at an early stage of monetization and continue to incur significant selling and marketing expenses and general and administrative expenses, we incurred a net loss of RMB1,297.5 million, RMB508.2 million and RMB76.1 million in 2015, 2016 and 2017, respectively. We also incurred a net loss of RMB152.1 million and RMB144.0 million in the nine months ended September 30, 2017 and September 30, 2018, respectively. Our selling and marketing expenses, consisting primarily of marketing and promotion expenses and employee benefit expenses, were equivalent to 254.9%, 74.6% and 55.7% of our revenue in 2015, 2016 and 2017, respectively, and equivalent to 60.1% and 56.3% of our revenue in the nine months ended September 30, 2017 and September 30, 2018, respectively. Our general and administrative expenses were equivalent to 12.8%,

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24.1% and 15.0% of our revenue in 2015, 2016 and 2017, respectively, and were equivalent to 17.1% and 11.1% of our revenue in the nine months ended September 30, 2017 and September 30, 2018, respectively. In addition, in 2015 and the nine months ended September 30, 2018, we had net cash outflow generated from operating activities of RMB989.7 million and RMB1,433.5 million, respectively. We have incurred net losses since our inception and may not be able to achieve profitability. See “Risk Factors — Risks Relating to Our Business and Industries — We have a history of net losses, and had net cash outflow in the nine months ended September 30, 2018, and may continue to incur net losses or have net cash outflow in the future.” As of December 31, 2015, 2016 and 2017 and September 30, 2018, our accumulated loss was RMB1,297.5 million, RMB259.9 million, RMB318.1 million and RMB460.9 million, respectively. See “— Description of Major Components of Our Results of Operations.”

We define net cash burn as the sum of net cash outflow from operating activities and net cash outflow from investing activities excluding the effects of financial assets-related payments and proceeds. During the Track Record Period, we had a net cash burn of RMB1,000.3 million in 2015 and RMB1,452.4 million in the nine months ended September 30, 2018. We had net cash inflow from operating and investing activities (excluding the effects of financial assets-related payments and proceeds) in 2016 and 2017.

We focus on building up our business scale, exploring the most suitable business model and expanding our service offerings along the industry value chain. In order to further grow our market share, we also plan to continue to expand our user base and develop our technological capabilities. We are optimizing our service mix by expanding services with higher profit margin, especially in the area of entertainment content services by further solidifying the leading position in promotion and distribution of entertainment content. We aim to further expand our network of business partners and strengthen our understanding of user behavior and preferences. See “Business — Our Strategies — Strengthen our entertainment content services capabilities.”

The online entertainment ticketing industry has gone through rapid consolidation from 2015 to 2017 and we expect such trend to continue, helping to form a healthier market. According to the iResearch Report, due to industry consolidation and development of user behavior, the use of user incentives as a marketing initiative is expected to have declining impacts and become more stable, disciplined and regulated, which would in turn benefit our profitability. See “Industry Overview — Online Entertainment Ticketing — Competitive Landscape.”

However, a more regulated use of user incentives could also have a negative impact on China’s online entertainment ticketing market as a whole or on its future growth, and affect the GMV on our platform, which may, in turn, materially and adversely affect our revenue from online entertainment ticketing. Any potential regulatory limitation on the amount of service fee could reduce our revenue, limit our profitability from online entertainment ticketing services and negatively affect our operational cash flow. See “Risk Factors — Risks Relating to Our Business and Industries — Our failure to comply with laws, rules and regulations as well as changing laws, rules and regulations and legal uncertainty, could materially and adversely affect our business, financial condition and results of operations.”

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Furthermore, as our business continues to grow, we expect that we would enjoy cost advantages from economies of scale, in particular, expenses such as administrative expenses are expected to grow at a slower rate compared to our revenue and thus accounting for a smaller percentage of our revenue.

We have also observed positive trends recently with regard to our path to profitability. See “Business — Our Services — Online Entertainment Ticketing Services — Movie Ticketing.” In line with the growth of our operations, we had adjusted net profit of RMB123.9 million in 2017.

The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. For related risks, see “Risk Factors — Risks Relating to Our Business and Industries — We have a limited operating history in a dynamic market, which makes it difficult to evaluate our prospects.”

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board (“IASB”).

The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are set forth in Note 4 of the Accountant’s Report in Appendix I to this prospectus.

We adopted a full retrospective application of IFRS 9 and IFRS 15, which have been applied on a consistent basis throughout the Track Record Period. We believe that the adoption of IFRS 9 and IFRS 15, as compared to the requirements of IAS 18 and IAS 39, does not have significant impact on our financial position and performance during the Track Record Period.

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MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and are expected to continue to be materially affected by a number of factors, many of which are outside our control, including the following:

General Factors

Our business and operating results are affected by general factors affecting the entertainment industry in China, which include:

- China's overall economic growth and level of per capita disposable income;
- growth and competition environment of China's entertainment market;
- development in mobile Internet and technology; and
- relevant laws and regulations, governmental policies and initiatives.

Unfavorable changes in any of these general industry conditions could materially and adversely affect demand for our services and/or the manner in which we provide our services and therefore materially and adversely affect our results of operations.

Company Specific Factors

While our business is affected by factors affecting the entertainment industry in China generally, our results of operations are also affected by company specific factors, including the following:

Our Ability to Grow Our User Base and Engagement

The size and engagement of our user base are significant to the expansion of our business. We have achieved substantial growth of our user based during the Track Record Period. Our average MAU reached 134.6 million in the nine months ended September 30, 2018.

The volume of ticketing transactions on our platform and the resulting transaction service fees are affected by the size and engagement of our user base. A large and engaged user base supplies us with high-quality and evolving user feedback and behavioral data, enabling us to improve and expand the services we provide. In addition, industry players, such as movie production companies and movie distributors, are drawn to our platform because of the size of our user base, its attractive demographics and the level of our user engagement. Our user base further promotes our value in e-commerce and advertising services.

Users are attracted to our platform by the convenience of our ticketing services, breadth of movie and other entertainment content and the interactive and engaging user experience we offer. We seek to reinforce user engagement by enriching user experience on our platform, as well as by providing various forms of user access in cooperation with other Internet platforms.

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Our Relationship with Business and Strategic Partners

We cooperate with various business partners to carry out a significant part of our operations. Maintaining and strengthening cooperation with existing business partners and developing relationships with potential business partners are crucial to our market share, revenue and future expansion, whilst our ability to achieve this in a cost-efficient manner affects our profitability.

Our online entertainment ticketing services has a nation-wide coverage. As of September 30, 2018, we cooperated with over 8,800 cinemas in over 600 cities for movie ticketing and with over 2,000 event promoters and venue operators in over 150 cities for entertainment event ticketing. We aim to create value for these business partners by providing efficient and effective distribution channels and by sharing with them our profound understanding of the entertainment market and user preferences, as means to strengthen our cooperation. Such cooperation promotes overall ticket sales for our business partners, which will in turn contribute to the increase of our revenue from the ticketing services we provide. See “Business — Our Services — Movie Ticketing — Services Empowering Cinemas.”

Our entertainment content services are driven in particular by our extensive connections with business partners such as entertainment content production companies, distributors and industry professionals. Our business services platform further provides our existing and potential business partners with industry data support and creates business opportunities for them, which strengthens our connections and inspires more cooperation opportunities. See “Business — Our Platform — Business Service Platform.” We believe our connection with and the value we provide for our business partners are essential for the growth of our entertainment content services, increase of our revenue and market share.

We have established strategic partnerships with Tencent and Meituan Dianping. Under such partnership, we have established various in-depth cooperation in multiple areas including access portal to our services. See “Business — Our Strategic Partners.” Maintaining long-term and stable relationship with these strategic partners is important to our ongoing and future operation and expansion.

Operating Leverage of Our Platform

Our platform enjoys strong network effects, resulting in significant operating leverage. We believe that a solid and loyal user base is important to our platform and we have been expanding our user base via our sales and marketing efforts, including word-of-mouth effect and user incentives. We offer various user incentives to attract new users, encourage repeat purchases and foster user habit, which has consistently been the practice in China’s entertainment industry. Historically, a significant portion of our selling and marketing expenses were incurred for user incentives. We monitor the effectiveness and assess the necessity of user incentives with reference to factors including the market reception of movies, user consumption behaviors and our own brand recognition and market competition position. We will continue to analyze and assess the level of user incentives provided going forward on a prudent and disciplined basis. The self-reinforcing network effects on our platform and associated operating leverage allow us to compete effectively by expanding our service offerings

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to users and to effectively engage and retain them. The strengthening of our user engagement also attracts more business partners, enhancing our entertainment content services capabilities. As our business further expands, we believe our significant scale, coupled with the network effects, will allow us to acquire and retain users more cost-effectively and benefit from economies of scale.

Strategic Acquisitions and Investments

Besides the organic growth of our business, we also seek further expansion by strategic investments and acquisitions. During the Track Record Period, we acquired several companies to expand our user base and enhance our market position and relationship with strategic partners. See “History and Reorganization.” We believe these acquisitions would create synergies with our existing businesses and enable us to carry out our operations in a more efficient manner. Such investments and acquisitions may impact our results and financial condition, depending on the amount involved and the performance of the companies in which we invest or which we acquire. See “Risk Factors — Risks Relating to Our Business and Industry — We may incur increased expenses and might not be able to successfully complete or realize expected benefits from our investments or acquisitions.” For example, the Weying Acquisition benefited our revenue growth since 2017. See “History and Reorganization — Material Shareholding Change and Pre-IPO Investment — Pre-IPO Investment by Linzhi Lixin and Acquisition of Beijing Weige Shidai.”

We believe that we are well-positioned to further expand our operations along the industry value chain and tap into new services by leveraging our existing capabilities and resources. Whilst successful expansion into new business areas could entail growth in our scale of business and revenue, such attempt could incur significant costs with no guarantee of return.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management’s estimates or assumptions and actual results and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in details in Notes 2 and 3 of the Accountant’s Report in Appendix I to this prospectus.

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Revenue Recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, we present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is our right to consideration in exchange for goods and services that we have transferred to a customer. A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we have transferred a good or service to the customer, we present the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

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Critical accounting estimates and judgments to revenue recognition

(i) *Revenue from movie promotion services*

The Group offers movie promotion services to movie production companies. Determining whether the Group is acting as a principal or as an agent in the provision of movie promotion services to its customers requires judgment and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or an agent, the Group considers individually or in combination, whether the Group is primarily responsible for fulfilling the promise to provide the promotion services, whether the Group bears certain inventory risk, whether the Group has discretion in establishing the price and whether the Group has full discretion to determine the promotion plan.

When the Group offers movie promotion services to movie production companies, the movie production companies are identified as its customers. When the Group is also engaged by the movie production companies as their distributor, the movie promotion services provided for movies (referred to as "promotional payments when engaged by movie production companies as a distributor") typically include running targeted audience incentive programs, diversified promotion campaigns, movie pre-sale and test-screenings. When the Group is not engaged by the movie production companies as their distributor, the movie promotion services provided for movies (referred to as "User incentives funded by business partners") mainly include running targeted audience incentive programs and/or other online promotion activities including placement of the movie advertisement in the Group's platform, of which the determination is at the full discretion of the Group.

The Group enters into separate promotional agreements with movie production companies for design and delivery of promotion services during a specific period for each movie. The customers can benefit from the box office revenue when the target consumers are attracted by its promotion activities provided and then pay to watch the movie in the cinema. The more effective its promotion activities are, the better the box office performance is expected to be. In a situation where the Group is also engaged as a distributor, the Group has full discretion to plan how, where, when and to whom to launch the promotion activities (including the plan and execution of the online targeted audience incentive programs and offline promotion campaigns) and it can modify its promotion plan based on market response from time to time.

In a situation where the Group is not engaged as a distributor, the Group has full discretion to determine whether to adopt an online targeted audience incentive plan and/or to conduct other online promotion activities (such as movie online advertisements). After the Group determines to adopt the online targeted audience incentive plan, the Group also has the full discretion to determine who can get the incentive (the audience of which cities and cinemas) and how much incentive each movie ticket and each individual audience can get per transaction, and it can also modify the audience incentive plan for each engaged promotional movie project based on market response, further considering the overall audience incentive strategy/plan funded by the Group itself, from time to time.

In a situation where the Group is also engaged as a distributor, when the Group designs and launches its promotion during the contract period, it may subcontract out part of the promotion services at its own discretion. When the Group involves other parties to provide the services, it does not arrange other parties to transfer goods or services directly to its customers (movie production

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companies). Instead, those subcontractors are responsible to the Group and act under its direction only. The Group can direct and control all of the promotion services before they are transferred to the customers. Therefore, it can control the specified services before the services are transferred to customers, and it satisfies the performance obligation by itself or engage another party (for example, a subcontractor) to satisfy some of the performance obligations on its behalf, at its sole discretion.

The Group normally is responsible for the overall promotion strategy (including the determination to adopt a targeted audience incentive plan and how to plan and execute the plan), fulfilling the promise in the contract, carrying out the promotion task and monitoring the quality of services. Thus, the Group is primarily responsible for fulfilling the promise to provide the promotion services.

The Group is responsible for the promotion activities and it needs to pay for the preparation costs and the costs of making advertising materials, as well as the staff costs of wages first (including those staff preparing online targeted audience incentive plan). The Group does not have unconditional right to all the consideration until it has provided the services to the customers. From this perspective, the Group bears certain inventory risk.

The Group has discretion in establishing the price for the promotion services with production companies and has the ability to negotiate the service terms and pricing separately with its selected subcontractors. Thus, it has discretion in establishing the price.

As a result, the Group considers it is appropriate to recognize the payment from its customers (movie production companies) for the reimbursement of its movie distribution and promotion costs, as the revenue at gross basis.

(ii) *Revenue from movie production / investment*

The Group sometimes participates in movie production as a co-producer to make investment in the movie and may earn return on the box office. Determining whether the investment is considered in substance a joint operation requires judgment and consideration of all relevant facts and circumstances. When the Group involves and participates in the determination of idea origination, production crew, cast selection, shooting and post-production with other co-producers and determines the distribution and promotion plan as a distributor for the movie, and when the key relevant activities of the movie production are discussed and jointly determined by the Company and other co-producers, the arrangement is considered in substance as a joint operation.

See “Business — Our Services — Entertainment Content Services — Services Provided for Movies” for details of the sources of our revenue from the movie services.

For further details, see Note 2.19 of the Accountant’s Report in Appendix I to this prospectus.

Taxation

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, no Cayman Islands withholding tax will be imposed upon payments of dividends by the Company to its shareholders.

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Hong Kong profit tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2017 and 2018.

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate was 25% for the year ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2017 and 2018. According to the relevant tax circulars issued by the PRC tax authorities, a subsidiary of us is entitled to tax concessions and exempt from CIT during the period from our incorporation to December 31, 2020.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets out a summary of our consolidated statements of comprehensive income/(loss) with line items in absolute amounts and as percentages of our revenue for the periods indicated.

	Year ended December 31,						Nine Months ended September 30,			
	2015		2016		2017		2017		2018	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
Revenue	596.7	100.0	1,377.5	100.0	2,548.0	100.0	1,534.6	100.0	3,062.3	100.0
Cost of revenue	(298.2)	(50.0)	(489.9)	(35.6)	(806.0)	(31.6)	(469.1)	(30.6)	(1,100.0)	(35.9)
Gross profit	298.5	50.0	887.6	64.4	1,742.0	68.4	1,065.5	69.4	1,962.3	64.1
Selling and marketing expenses	(1,521.1)	(254.9)	(1,027.8)	(74.6)	(1,419.5)	(55.7)	(921.8)	(60.1)	(1,724.4)	(56.3)
General and administrative expenses	(76.3)	(12.8)	(332.3)	(24.1)	(381.3)	(15.0)	(262.6)	(17.1)	(341.3)	(11.1)
Other (losses)/gains, net	(2.0)	(0.3)	(22.3)	(1.6)	(7.3)	(0.3)	36.0	2.4	(38.3)	(1.3)
Operating loss	(1,300.9)	(218.0)	(494.8)	(35.9)	(66.1)	(2.6)	(82.9)	(5.4)	(141.7)	(4.6)
Finance income/(costs), net	—	—	(3.6)	(0.3)	(11.2)	(0.5)	(11.8)	(0.8)	(1.4)	0.0
Share of profit/(losses) of investments accounted for using equity method	—	—	—	—	1.4	0.1	—	—	(2.2)	(0.1)
Loss before income tax	(1,300.9)	(218.0)	(498.4)	(36.2)	(75.9)	(3.0)	(94.7)	(6.2)	(145.3)	(4.7)
Income tax credits/(expenses)	3.4	0.6	(9.8)	(0.7)	(0.2)	0.0	(57.4)	(3.7)	1.3	0.0
Loss for the year/period	(1,297.5)	(217.4)	(508.2)	(36.9)	(76.1)	(3.0)	(152.1)	(9.9)	(144.0)	(4.7)
Loss per share attributable to equity holders of the Company (expressed in RMB per share)										
— Basic and diluted	(6.76)	N/A	(2.65)	N/A	(0.39)	N/A	(0.79)	N/A	(0.74)	N/A
Non-IFRS Measures:										
EBITDA	(1,297.5)	(217.4)	(485.7)	(35.3)	(17.5)	(0.7)	(67.7)	(4.4)	(30.2)	(1.0)
Adjusted EBITDA	(1,270.2)	(212.9)	(283.0)	(20.5)	169.3	6.6	83.6	5.4	93.8	3.1
Adjusted net profit/(loss)	(1,270.2)	(212.9)	(300.5)	(21.8)	123.9	4.9	12.4	0.8	(16.9)	(0.6)

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Revenue

The following table sets out a breakdown of our revenue by business in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	RMB million	%	RMB million	%	RMB million	%	RMB million (Unaudited)	%	RMB million	%
Revenue										
Online entertainment ticketing services	594.5	99.6	960.1	69.7	1,490.0	58.5	985.4	64.2	1,831.6	59.8
Entertainment content services	—	—	337.3	24.5	852.3	33.4	410.9	26.8	910.2	29.8
E-commerce services	1.4	0.3	15.5	1.1	127.2	5.0	87.6	5.7	160.3	5.2
Advertising services and others	0.8	0.1	64.6	4.7	78.5	3.1	50.7	3.3	160.2	5.2
Total	<u>596.7</u>	<u>100.0</u>	<u>1,377.5</u>	<u>100.0</u>	<u>2,548.0</u>	<u>100.0</u>	<u>1,534.6</u>	<u>100.0</u>	<u>3,062.3</u>	<u>100.0</u>

Online Entertainment Ticketing Services

Our platform offers entertainment ticket sales online. We charge a service fee for providing such services to cinemas, venue operators and event promoters as customers. See “Business — Our Services — Online Entertainment Ticketing Services — Movie Ticketing — Movie Ticketing Arrangements” for the range of service fee rate of online entertainment ticketing services.

We also offer ticket refund and exchange services for some movies and entertainment events and may charge a separate fee subject to our agreements with the cinemas, venue operators and event promoters.

The following table sets out a breakdown of our online entertainment ticketing revenue by service in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	RMB million	%	RMB million	%	RMB million	%	RMB million (Unaudited)	%	RMB million	%
Online movie ticketing	593.9	99.5	958.1	69.6	1,472.7	57.8	981.2	63.9	1,781.3	58.2
Online event ticketing	0.6	0.1	2.0	0.1	17.3	0.7	4.2	0.3	50.3	1.6
Online entertainment ticketing	<u>594.5</u>	<u>99.6</u>	<u>960.1</u>	<u>69.7</u>	<u>1,490.0</u>	<u>58.5</u>	<u>985.4</u>	<u>64.2</u>	<u>1,831.6</u>	<u>59.8</u>

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Entertainment Content Services

We offer entertainment content services including distribution, promotion and production. We primarily generate revenue from the following sources: (i) promotional payments from content production companies, including the payment for our content distribution and promotion cost; (ii) a distribution fee which is primarily a percentage of the total revenue of the entertainment content we distribute; and (iii) for the entertainment content that we provide production services to and/or invest in, a profit sharing from the revenue of the relevant entertainment content. Revenue of each of our movie production projects is recognized on a gross or net basis.

- When we involve ourselves and participate in the determination of idea origination, production crew, cast selection, shooting and post-production with other co-producers and determine the distribution and promotion plan as distributor for a movie, and when the key relevant activities of the movie production are discussed and jointly determined by us and other co-producers, the arrangement is considered in substance as a joint operation. As a result, we shall recognize the share of revenue and cost of the movie based on our own interest percentage in it. Therefore, revenue from this type of movie production/investment arising from the revenue share of the movie, based on the interest percentage owned by us, is recognized over the movie screening period according to the box office (on a gross basis), and the relevant investment costs of such movie (also representing the costs of the movie shared to us) are recognized and presented as cost of revenue in the same pattern as the aforesaid revenue recognition.

- When we are not involved in the determination of idea origination, production crew, cast selection, shooting and post-production, but participate only in the distribution and promotion of a movie, we are not considered to be involved in the movie production process, and the main purpose of the investment in the movie is to obtain the distribution right from the movie production companies and to earn the distribution fee. Given that distribution services are provided by us to producers/movie production companies and that an investment made by us in the relevant movie is also paid to the same producer/movie production company, such investment cost is considered as in substance consideration payable to a customer. As a result, such investment cost shall be accounted for as a reduction of revenue. Therefore, revenue from this type of investment in movie projects arising from the revenue share of the movie, based on the interest percentage owned by us, is recognized over the movie screening period according to the box office, after the reduction of our investment cost (on a net basis).

E-commerce Services

We primarily charge a commission fee on the sales of food and beverages, IP-derivative merchandise and membership subscriptions. See “Business — Our Services — E-commerce Services” for range of commission rate of e-commerce services.

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Advertising Services and Others

We provide advertising services to advertisers in both the movie industry and various other industries including automobile, electronics and consumer goods. The advertising fees are typically determined based on anticipated exposure associated with the advertising resources. See “Business — Our Services — Advertising Services and Others.”

Cost of Revenue

The following table sets out a breakdown of our cost of revenue by nature in absolute amounts and as percentages of our cost of revenue for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2015		2016		2017		2017		2018	
	RMB million	%	RMB million	%	RMB million	%	RMB million (Unaudited)	%	RMB million	%
Ticketing system cost	192.1	64.5	244.1	49.8	393.5	48.9	259.6	55.3	440.7	40.1
Internet infrastructure cost	91.3	30.6	119.7	24.4	136.8	17.0	86.4	18.4	153.5	14.0
Content distribution and promotion cost	—	—	74.0	15.1	126.6	15.7	39.4	8.4	190.2	17.3
Content production cost	—	—	—	—	59.8	7.4	39.5	8.4	112.8	10.3
Amortization of intangible assets resulting from business combination	—	—	—	—	44.6	5.5	13.8	2.9	100.1	9.1
Depreciation of property, plant and equipment	3.4	1.1	6.8	1.4	2.0	0.2	0.9	0.2	2.9	0.2
Other expenses	11.4	3.8	45.3	9.3	42.7	5.3	29.5	6.4	99.8	9.0
Total	<u>298.2</u>	<u>100.0</u>	<u>489.9</u>	<u>100.0</u>	<u>806.0</u>	<u>100.0</u>	<u>469.1</u>	<u>100.0</u>	<u>1,100.0</u>	<u>100.0</u>

Our cost of revenue primarily consists of ticketing system cost, content distribution and promotion cost and Internet infrastructure cost.

We pay fees to the ticketing system companies to use their ticketing systems to establish and maintain connection with cinemas. These fees are typically approximately RMB1 per ticket. See “Business — Online Entertainment Ticketing Services — Movie Ticketing — Services Empowering Cinemas.”

Content distribution and promotion cost comprises costs in association with user incentives, marketing and promotional campaigns, test screenings, pre-sale, pre-screenings, premieres, fan-crew meetings, fan gatherings, road shows and promotion materials when we act as the distributors of specific movies. User incentives under content distribution and promotion cost are funded by movie production companies for the promotion of the specific movies.

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Content production/investment cost comprises costs in association with our entertainment content production business, representing primarily our investment cost.

Internet infrastructure cost includes cloud service and payment processing cost.

Internet infrastructure cost, amortization of intangible assets resulting from business combination, depreciation of property, plant and equipment and certain other components of our cost of revenue are shared among our different business lines.

Gross Profit

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

	Year ended December 31,			Nine Months ended September 30,	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Gross profit	298.5	887.6	1,742.0	1,065.5	1,962.3
Gross margin*	50.0%	64.4%	68.4%	69.4%	64.1%

Note:

* We recognize online entertainment ticketing service revenue on a net basis.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of marketing and promotion expenses and employee benefit expenses relating to our marketing staff.

The following table sets forth a breakdown of the major components of our selling and marketing expenses for the periods indicated:

	Year Ended December 31,						Nine Months Ended September 30,			
	2015		2016		2017		2017		2018	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%
Marketing and promotion expenses	1,448.4	95.2	900.6	87.6	1,289.6	90.9	840.1	91.1	1,582.0	91.7
Employee benefit expenses	57.5	3.8	98.9	9.6	116.7	8.2	74.3	8.1	127.8	7.4
Traveling and entertainment expenses	6.8	0.4	7.0	0.7	8.6	0.6	5.6	0.6	4.5	0.3
Other expenses	8.4	0.6	21.3	2.1	4.6	0.3	1.8	0.2	10.1	0.6
Total	1,521.1	100.0	1,027.8	100.0	1,419.5	100.0	921.8	100.0	1,724.4	100.0

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The following table sets out a breakdown of the major components of our marketing and promotion expenses for the periods indicated:

	Year Ended December 31,			Nine Months Ended September 30,	
	2015	2016	2017	2017	2018
	(RMB million)				
User incentives	1,435.6	878.1	1,281.7	836.6	1,574.0
Branding advertisement expenses	11.9	17.3	6.7	2.4	7.3
Others	0.9	5.2	1.2	1.1	0.7
Total	<u>1,448.4</u>	<u>900.6</u>	<u>1,289.6</u>	<u>840.1</u>	<u>1,582.0</u>

The following table sets out a breakdown of user incentives by source for the periods indicated:

	Year Ended December 31,			Nine Months Ended September 30,	
	2015	2016	2017	2017	2018
	(RMB million)				
Funded by business partners	—	234.2	542.2	314.9	436.9
Funded by Maoyan	1,435.6	643.9	739.5	521.7	1,137.1
	<u>1,435.6</u>	<u>878.1</u>	<u>1,281.7</u>	<u>836.6</u>	<u>1,574.0</u>

Marketing and promotion expenses primarily consist of user incentives and, to a lesser extent, our own branding advertisement expenses. User incentives include those funded by business partners to promote their content through us, by engaging us to perform specific promotional tasks based on our platform capabilities, and those offered by us to promote our services. Under such arrangements with business partners, we provide promotional and marketing services to our business partners. The cash received/receivable from the business partner can be used at our discretion on our platform to provide user incentives and carry out other promotional activities. Therefore, user incentives funded by business partners are also recognized as revenue from our movie services, under promotional payments. See “Business — Our Services — Entertainment Content Services — Services Provided for Movies.” As such, user incentives funded by business partners did not and are not expected to affect our profitability.

As the cash received/receivable from our business partners was spent together with cash costs incurred by ourselves to promote our services for all revenue streams, they are recognized as selling and marketing expenses when occurred.

The following sensitivity analysis provides illustration on the impact of hypothetical changes in the percentage of user incentives funded by Maoyan to the GMV of online movie ticketing on our

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profit. We consider user incentives the most significant item of our expenses and may need to devote more resources and incur higher user incentives if our competitors pose challenges to our business operations, which is beyond our control. Other costs and expenses, including general and administrative expenses, were generally stable throughout the Track Record Period. As user incentives funded by business partners are recognized as both revenue and selling and marketing expenses, they do not impact our profitability. Therefore, the table below only sensitizes the hypothetical changes in user incentives funded by Maoyan. See “— Description of Major Components of Our Results of Operations — Selling and Marketing Expenses.” The notes following this analysis include important information about the methodology and assumptions relied upon and investors should consider this information in reviewing the analysis.

We deployed high user incentives in 2015 as we were in the early stage of developing our online movie ticketing operation and devoted more resources in marketing to acquire users and promote market position. We increased the use of user incentives around the Chinese New Year in early 2018 to respond to the market competition and to strengthen our market leadership during the periods. According to the iResearch Report, due to industry consolidation and development of user behavior, the use of user incentives as a marketing initiative is expected to have declining impacts and become more stable, disciplined and regulated. See “Summary — Summary of Historical Financial Information”, “Business — Competition” and “— Overview — Path to Profitability.”

Without the effect of income taxes:

For the year ended December 31, 2015

User incentives funded by Maoyan as % of online movie ticketing GMV	0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
Change in the Original Profit for the period from continuing operations (RMB'million)	1,435.6	1,306.6	1,177.6	1,048.5	919.5	790.5	661.5	532.5	403.5	274.4	145.4	16.4	(112.6)	(241.6)	(370.7)	(499.7)

For the year ended December 31, 2016

User incentives funded by Maoyan as % of online movie ticketing GMV	0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
Change in the Original Profit for the period from continuing operations (RMB'million)	643.9	499.6	355.3	211.0	66.7	(77.7)	(222.0)	(366.3)	(510.6)	(654.9)	(799.2)	(943.5)	(1,087.8)	(1,232.1)	(1,376.4)	(1,520.8)

For the year ended December 31, 2017

User incentives funded by Maoyan as % of online movie ticketing GMV	0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
Change in the Original Profit for the period from continuing operations (RMB'million)	739.5	522.7	305.9	89.1	(127.7)	(344.5)	(561.3)	(778.1)	(994.9)	(1,211.7)	(1,428.5)	(1,645.3)	(1,862.1)	(2,078.8)	(2,295.6)	(2,512.4)

For the nine months ended September 30,
2017

User incentives funded by Maoyan as % of online movie ticketing GMV	0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
Change in the Original Profit for the period from continuing operations (RMB'million)	521.7	372.3	222.9	73.5	(75.9)	(225.3)	(374.7)	(524.1)	(673.5)	(823.0)	(972.4)	(1,121.8)	(1,271.2)	(1,420.6)	(1,570.0)	(1,719.4)

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For the nine months ended September 30, 2018																
User incentives funded by Maoyan as % of online movie ticketing GMV	0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
Change in the Original Profit for the period from continuing operations (RMB'million)	1,137.1	880.9	624.6	368.4	112.1	(144.1)	(400.4)	(656.6)	(912.9)	(1,169.1)	(1,425.4)	(1,681.6)	(1,937.9)	(2,194.1)	(2,450.4)	(2,706.6)
<i>With the effect of income taxes:</i>																
For the year ended December 31, 2015																
User incentives funded by Maoyan as % of online movie ticketing GMV	0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
Change in the Original Profit for the period from continuing operations (RMB'million)	1,076.7	979.9	883.2	786.4	689.6	592.9	496.1	399.4	302.6	205.8	109.1	12.3	(84.5)	(181.2)	(278.0)	(374.8)
For the year ended December 31, 2016																
User incentives funded by Maoyan as % of online movie ticketing GMV	0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
Change in the Original Profit for the period from continuing operations (RMB'million)	482.9	374.7	266.5	158.2	50.0	(58.2)	(166.5)	(274.7)	(382.9)	(491.2)	(599.4)	(707.6)	(815.9)	(924.1)	(1,032.3)	(1,140.6)
For the year ended December 31, 2017																
User incentives funded by Maoyan as % of online movie ticketing GMV	0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
Change in the Original Profit for the period from continuing operations (RMB'million)	554.6	392.0	229.4	66.8	(95.8)	(258.4)	(421.0)	(583.6)	(746.2)	(908.7)	(1,071.3)	(1,233.9)	(1,396.5)	(1,559.1)	(1,721.7)	(1,884.3)
For the nine months ended September 30, 2017																
User incentives funded by Maoyan as % of online movie ticketing GMV	0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
Change in the Original Profit for the period from continuing operations (RMB'million)	391.3	279.2	167.2	55.1	(56.9)	(169.0)	(281.1)	(393.1)	(505.2)	(617.2)	(729.3)	(841.3)	(953.4)	(1,065.4)	(1,177.5)	(1,289.5)
For the nine months ended September 30, 2018																
User incentives funded by Maoyan as % of online movie ticketing GMV	0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%
Change in the Original Profit for the period from continuing operations (RMB'million)	852.8	660.6	468.5	276.3	84.1	(108.1)	(300.3)	(492.5)	(684.7)	(876.8)	(1,069.0)	(1,261.2)	(1,453.4)	(1,645.6)	(1,837.8)	(2,030.0)

Notes:

- We consider user incentives the most significant item of our expenses. Other costs and expenses, including general and administrative expenses, were generally stable throughout the Track Record Period. As user incentives funded by business partners are also recognized as revenue from movie services under promotional payments and do not affect our profitability, this sensitivity analysis uses user incentives funded by Maoyan as the only variation, assuming its percentage to the GMV of online movie ticketing was 0%, 1%, 2%, 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10%, 11%, 12%, 13%, 14%, 15%, respectively, during the Track Record Period, to perform calculation of the changes in our net profit/(loss);

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- This sensitivity analysis assumes that other factors, including, among others, revenue, cost of revenue, components of selling and marketing expenses other than user incentives funded by Maoyan and general and administrative expenses, remain unchanged. As a result, this sensitivity analysis does not reflect the correlation between revenue and user incentives; and
- This sensitivity analysis is performed under two scenarios: with and without the effect of income tax rate of 25%.

General and Administrative Expenses

The following table sets forth a breakdown of the major components of our general and administrative expenses for the periods indicated:

	Year ended December 31,						Nine Months ended September 30,				
	2015		2016		2017		2017		2018		
	RMB million	%	RMB million	%	RMB million	%	RMB million	%	RMB million	%	
	(Unaudited)										
Employee benefit expenses	60.6	79.3	311.2	93.6	316.4	83.0	235.1	89.5	264.8	77.6	
Office lease rentals	6.1	8.0	16.6	5.0	26.5	6.9	9.7	3.7	13.7	4.0	
Professional services	3.0	4.0	0.4	0.1	8.1	2.1	3.3	1.3	5.1	1.5	
Depreciation of property, plant and equipment	—	—	2.3	0.7	1.3	0.3	0.3	0.1	4.7	1.4	
Amortization of intangible assets resulting from business combination	—	—	—	—	0.5	0.1	0.1	0.0	3.8	1.1	
Other expenses	6.6	8.7	1.8	0.6	28.5	7.6	14.1	5.4	49.2	14.4	
Total	76.3	100.0	332.3	100.0	381.3	100.0	262.6	100.0	341.3	100.0	

Our general and administrative expenses include research and development expenses, which were RMB48.9 million, RMB162.7 million and RMB144.0 million in 2015, 2016 and 2017, respectively, and RMB99.7 million and RMB165.6 million in the nine months ended September 30, 2017 and 2018, respectively. Research and development expenses primarily consist of employee benefit expenses for our research and development personnel.

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Other (Losses)/Gains, Net

The following table sets out a breakdown of the major components of our other (losses)/gains for the periods indicated:

	Year ended December 31,			Nine Months ended September 30,	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Losses from disposal of property, plant and equipment	(2.0)	(30.6)	(6.3)	—	—
Fair value gain on financial assets at fair value through profit or loss	—	4.3	25.7	15.6	15.3
Fair value loss on financial liabilities at fair value through profit or loss	—	—	—	—	(3.1)
Gains from disposal of subsidiaries	—	—	—	—	3.8
Government subsidies	—	4.0	20.4	20.4	7.6
Impairment of goodwill arising from the acquisition of Jietong Wuxian	—	—	(46.9)	—	(62.8)
Others	—	—	(0.2)	—	0.9
Total	(2.0)	(22.3)	(7.3)	36.0	(38.3)

Our financial assets include bank-issued wealth management products and minority equity investments.

Finance Income/(Costs), Net

Finance income represents interest income from bank deposits. Finance costs primarily consist of interest expense on convertible bonds. See Note 10 of the Accountant's Report in Appendix I to this prospectus.

Income Tax Credits/(Expenses)

We had income tax credits of RMB3.4 million in 2015, income tax expenses of RMB9.8 million and RMB0.2 million in 2016 and 2017, respectively, and income tax expenses of RMB57.4 million and income tax credits of RMB1.3 million in the nine months ended September 30, 2017 and 2018, respectively. As of the Latest Practicable Date, we did not have any disputes with any tax authority.

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NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA/adjusted EBITDA and adjusted net profit/(loss) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the EBITDA/adjusted EBITDA and adjusted net profit/(loss) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

EBITDA and Adjusted EBITDA

We define EBITDA as operating loss for the period adjusted for depreciation and amortization expenses. We add back share-based compensation and listing expenses to EBITDA to derive adjusted EBITDA. The following table sets out EBITDA/adjusted EBITDA and a reconciliation from operating loss for the year to EBITDA/adjusted EBITDA for the periods indicated:

	Year ended December 31,			Nine Months ended September 30,	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Reconciliation of operating loss to EBITDA and adjusted EBITDA					
Operating loss for the period	(1,300.9)	(494.8)	(66.1)	(82.9)	(141.7)
Add:					
Depreciation of property, plant and equipment	3.4	9.1	3.5	1.3	7.6
Amortization of intangible assets resulting from business combination	<u>—</u>	<u>—</u>	<u>45.1</u>	<u>13.9</u>	<u>103.9</u>
EBITDA	<u>(1,297.5)</u>	<u>(485.7)</u>	<u>(17.5)</u>	<u>(67.7)</u>	<u>(30.2)</u>
Add:					
Share-based compensation	27.3	202.7	184.5	151.3	99.3
Listing expenses	<u>—</u>	<u>—</u>	<u>2.3</u>	<u>—</u>	<u>24.7</u>
Adjusted EBITDA	<u>(1,270.2)</u>	<u>(283.0)</u>	<u>169.3</u>	<u>83.6</u>	<u>93.8</u>

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Adjusted Net Profit/(Loss)

We define adjusted net profit/(loss) as net profit/(loss) for the period adjusted by adding back share-based compensation, net gain/(loss) of convertible bonds and financial liabilities at fair value through profit or loss and listing expenses. The following table reconciles our adjusted net profit/(loss) for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net loss for the periods:

	Year ended December 31,			Nine Months ended September 30,	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million	RMB million
				(Unaudited)	
Reconciliation of net profit/(loss) to adjusted net profit/(loss)					
Net losses for the period	(1,297.5)	(508.2)	(76.1)	(152.1)	(144.0)
Add:					
Share-based compensation	27.3	202.7	184.5	151.3	99.3
Net losses of convertible bonds and financial liabilities at fair value through profit or loss	—	5.0	13.2	13.2	3.1
Listing expenses	—	—	2.3	—	24.7
Adjusted net profit/(loss)	<u>(1,270.2)</u>	<u>(300.5)</u>	<u>123.9</u>	<u>12.4</u>	<u>(16.9)</u>

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Revenue

Our revenue increased significantly from RMB1,534.6 million in the nine months ended September 30, 2017 to RMB3,062.3 million in the nine months ended September 30, 2018. This increase was primarily a result of increases in the revenue from both the online entertainment ticketing services and the entertainment content services.

Online Entertainment Ticketing Services

Revenue from our online entertainment ticketing business increased by 85.9% from RMB985.4 million in the nine months ended September 30, 2017 to RMB1,831.6 million in the nine months ended September 30, 2018. Our GMV increased from RMB14,940.6 million in the nine months ended September 30, 2017 to RMB25,624.7 million in the nine months ended September 30, 2018. Such increase was primarily a result of: (i) the general expansion of our business and the Weying Acquisition; and (ii) the growth of gross box office in China from RMB42.8 billion in the nine months ended September 30, 2017 to RMB48.9 billion in the nine months ended September 30, 2018, according to the iResearch Report.

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Entertainment Content Services

Revenue from our entertainment content services increased significantly from RMB410.9 million in the nine months ended September 30, 2017 to RMB910.2 million in the nine months ended September 30, 2018. Such increase was mainly because of the expansion of our movie distribution, promotion and production business, reflecting the increasing recognition of our strong content services platform in the industry that has availed us of more opportunities to participate in movies with commercial success.

E-commerce Services

Revenue from our e-commerce business increased significantly from RMB87.6 million in the nine months ended September 30, 2017 to RMB160.3 million in the nine months ended September 30, 2018, primarily due to increases in the sales of membership subscription services and food and beverages. See “Business — Our Services — E-commerce Services.”

Advertising Services and Others

Revenue from our advertising services and others increased significantly from RMB50.7 million in the nine months ended September 30, 2017 to RMB160.2 million in the nine months ended September 30, 2018, which was primarily due to an increase in the number of advertisers for brand or content advertisement who recognized the efficiency of our advertising solutions.

Cost of Revenue, Gross Profit and Gross Margin

Our cost of revenue increased significantly from RMB469.1 million in the nine months ended September 30, 2017 to RMB1,100.0 million in the nine months ended September 30, 2018. The increase in our cost of revenue was mainly due to: (i) an increase in ticketing system cost which was in line with the growth of our online movie ticketing services; (ii) an increase in the content distribution and promotion cost reflecting the continued growth of our entertainment content services; and (iii) amortization of intangible assets in connection with the Weying Acquisition completed in September 2017. See “— Discussion of Certain Key Balance Sheet Items — Intangible Assets.”

Our gross profit increased by 84.2% from RMB1,065.5 million in the nine months ended September 30, 2017 to RMB1,962.3 million in the nine months ended September 30, 2018, and our gross margin was 69.4% and 64.1% in the nine months ended September 30, 2017 and 2018, respectively. The decrease in our gross margin was primarily due to the payment for our content distribution and promotion cost accounting for a higher percentage of revenue in the nine months ended September 30, 2018. Such payment was made in return for the corresponding cost incurred in content distribution and promotion, which was identical in amount and recognized as cost of revenue. Therefore, such payment does not generate gross profit and the increase of which would lower our gross margin. See “Business — Our Services — Entertainment Content Services — Services Provided for Movies.” The decrease of our gross margin and adjusted net margin was also attributable, to a lesser extent, to the amortization of intangible assets resulting from business combination.

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Selling and Marketing Expenses

Our selling and marketing expenses increased significantly from RMB921.8 million in the nine months ended September 30, 2017 to RMB1,724.4 million in the nine months ended September 30, 2018, primarily due to an increase in user incentives to promote our services.

General and Administrative Expenses

Our general and administrative expenses increased by 30.0% from RMB262.6 million in the nine months ended September 30, 2017 to RMB341.3 million in the nine months ended September 30, 2018, primarily due to the listing expenses recognized and an increase in the office expenses which were primarily incurred in the operation and maintenance of our office venues. Such an increase was in line with the general expansion of our business.

Other Gains/Losses, Net

We had net other losses of RMB38.3 million in the nine months ended September 30, 2018, compared to net other gains of RMB36.0 million in the nine months ended September 30, 2017, primarily due to the goodwill impairment resulted from our disposal of equity interest in Jietong Wuxian, which was partially offset by a fair value gain on financial assets at fair value through profit or loss related to bank-issued wealth management products.

Operating Loss

As a result of the foregoing, our operating loss was RMB141.7 million in the nine months ended September 30, 2018, compared to an operating loss of RMB82.9 million in the nine months ended September 30, 2017.

Finance Costs, Net

Our net finance costs decreased from RMB11.8 million in the nine months ended September 30, 2017 to RMB1.4 million in the nine months ended September 30, 2018, primarily due to the redemption of convertible bonds in November 2017, partially offset by an increase in interest expenses on bank borrowings.

Income Tax Credits/(Expenses)

We had income tax credits of RMB1.3 million in the nine months ended September 30, 2018 compared to income tax expenses of RMB57.4 million in the nine months ended September 30, 2017. The income tax expenses in 2017 were resulted from a debt relief.

Loss for the Period

As a result of the foregoing, we had a loss of RMB144.0 million in the nine months ended September 30, 2018, compared to a loss of RMB152.1 million in the nine months ended September 30, 2017.

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2017 Compared to 2016

Revenue

Our revenue increased by 85.0% from RMB1,377.5 million in 2016 to RMB2,548.0 million in 2017 mainly reflecting increases in the revenue from both online entertainment ticketing services and entertainment content services.

Online Entertainment Ticketing Services

Revenue from our online entertainment ticketing services increased by 55.2% from RMB960.1 million in 2016 to RMB1,490.0 million in 2017. Our online movie ticketing GMV grew from RMB14,431.0 million in 2016 to RMB21,679.6 million in 2017. Such increase was due to: (i) the expansion of our business, mainly reflecting our market share increase and, to a lesser extent, the Weying Acquisition and the growth of our entertainment events ticketing services; and (ii) the overall growth of gross box office in China from RMB49.3 billion in 2016 to RMB55.9 billion in 2017, according to the iResearch Report.

Entertainment Content Services

Revenue from our entertainment content services increased significantly from RMB337.3 million in 2016 to RMB852.3 million in 2017.

Such increase was a result of our expansion of our entertainment content services, primarily reflecting: (i) an increase in the revenue from movie production companies for our entertainment content services as we continued to strengthen our entertainment content service platform; and (ii) an increase in profit sharing from the box office of the movies we participated in. See “Business — Our Services — Entertainment Content Services — Entertainment Content Services Platform.”

E-commerce Services

Revenue from our e-commerce services increased significantly from RMB15.5 million in 2016 to RMB127.2 million in 2017, primarily due to increases in sales of membership subscription services as we ramped up such services in 2017 and in sales of food and beverages. See “Business — Our Services — E-commerce Services.”

Advertising Services and Others

Revenue from our advertising services and others increased by 21.5% from RMB64.6 million in 2016 to RMB78.5 million in 2017, which was primarily due to an increase in advertisements placed by advertisers in the movie industry.

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Cost of Revenue, Gross Profit and Gross Margin

Our cost of revenue increased by 64.5% from RMB489.9 million in 2016 to RMB806.0 million in 2017. The increase in our cost of revenue was mainly due to increases in ticketing system cost and the content distribution and promotion cost, corresponding to the growth of our overall business.

Our gross profit increased by 96.3% from RMB887.6 million in 2016 to RMB1,742.0 million in 2017, and our gross margin was 64.4% and 68.4% in 2016 and 2017, respectively. The increase in gross margin was attributable to a decrease in ticketing system cost and Internet infrastructure cost as a percentage of revenue.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 38.1% from RMB1,027.8 million in 2016 to RMB1,419.5 million in 2017, primarily due to an increase in user incentives which was in line with the expansion of our online entertainment ticketing services and entertainment content services.

General and Administrative Expenses

Our general and administrative expenses increased by 14.7% from RMB332.3 million in 2016 to RMB381.3 million in 2017, primarily due to increases in office lease rentals and professional service fees.

Other Losses, Net

We had net other losses of RMB7.3 million in 2017, compared to the net other losses of RMB22.3 million in 2016, primarily due to a good will impairment, which was partially offset by increases in government subsidies and fair value gain on financial assets at fair value through profit or loss on bank-issued wealth management products.

Operating Loss

As a result of the foregoing, our operating loss was RMB494.8 million in 2016, compared to an operating loss of RMB66.1 million in 2017.

Finance Income/Costs, Net

Our net finance costs increased from RMB3.6 million in 2016 to RMB11.2 million in 2017, primarily due to the interest expenses on convertible bonds issued in August and September 2016.

Income Tax Expenses

Our income tax expenses decreased significantly from RMB9.8 million in 2016 to RMB0.2 million in 2017.

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Loss for the Year

As a result of the foregoing, we had a loss of RMB76.1 million in 2017, compared to a loss of RMB508.2 million in 2016.

2016 Compared to 2015

Revenue

Our revenue increased significantly from RMB596.7 million in 2015 to RMB1,377.5 million in 2016.

Online Entertainment Ticketing

Revenue from our online entertainment ticketing services increased by 61.5% from RMB594.5 million in 2015 to RMB960.1 million in 2016. Such increase was primarily due to an increase in ticketing service fees retained by us per ticket sold.

Entertainment Content Services

We started to generate revenue from entertainment content services in 2016 and had revenue of RMB337.3 million in 2016, compared to nil in 2015.

E-commerce Services

Revenue from our e-commerce services increased significantly from RMB1.4 million in 2015 to RMB15.5 million in 2016, as we expanded our cooperation with cinemas in food and beverages sales and started to provide membership subscription in 2016. See “Business — Our Services — E-commerce Services.”

Advertising Services and Others

Revenue from our advertising services and others increased significantly from RMB0.8 million in 2015 to RMB64.6 million in 2016 as we scaled up our advertising services.

Cost of Revenue, Gross Profit and Gross Margin

Our cost of revenue increased by 64.3% from RMB298.2 million in 2015 to RMB489.9 million in 2016. The increase in our cost of revenue was mainly due to: (i) us starting to recognize cost in our movie distribution, promotion and production business; and (ii) increases in ticketing system cost and Internet infrastructure cost.

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Our gross profit increased significantly from RMB298.5 million in 2015 to RMB887.6 million in 2016, and our gross margin was 50.0% and 64.4% in 2015 and 2016, respectively. The increase in our gross margin was mainly due to the increased ticketing service fee retained by us per ticket sold.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 32.4% from RMB1,521.1 million in 2015 to RMB1,027.8 million in 2016. We focused our marketing efforts on nurturing user habits in 2015 when the online penetration rate of movie ticketing services in China was low.

General and Administrative Expenses

Our general and administrative expenses increased significantly from RMB76.3 million in 2015 to RMB332.3 million in 2016, primarily due to a significant increase in the employee benefit expenses as a result of the changes in employment arrangements relating to our separation from Meituan Dianping.

Other Losses, Net

We had net other loss of RMB22.3 million in 2016, compared to RMB2.0 million in 2015, primarily due to the retirement of certain obsolete equipment.

Operating Loss

As a result of the foregoing, our operating loss decreased significantly from RMB1,300.9 million in 2015 to RMB494.8 million in 2016.

Finance Income/Costs, Net

We had net finance costs of RMB3.6 million in 2016, representing primarily the interest expense on the convertible bonds issued in August and September 2016.

Income Tax Expenses

We had RMB9.8 million income tax expenses in 2016, mainly relating to taxable profits recorded by certain of our entities.

Loss for the Year

As a result of the foregoing, our loss for the year decreased from RMB1,297.5 million in 2015 to RMB508.2 million in 2016.

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DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets out a breakdown of our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Non-current assets				
Property, plant and equipment	13.7	3.6	31.8	29.2
Intangible assets	—	—	5,608.2	5,424.0
Investments accounted for using the equity method	—	—	39.1	36.9
Financial assets at fair value through profit or loss	—	—	32.8	38.8
Deferred income tax assets	3.4	—	3.5	4.5
Total	<u>17.1</u>	<u>3.6</u>	<u>5,715.4</u>	<u>5,533.4</u>
Non-current liabilities				
Deferred income tax liabilities	—	4.2	221.8	201.1
Total	<u>—</u>	<u>4.2</u>	<u>221.8</u>	<u>201.1</u>
Net non-current assets/(liabilities)	<u>17.1</u>	<u>(0.6)</u>	<u>5,493.6</u>	<u>5,332.3</u>

The following table sets out a breakdown of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of September 30,	As of November 30,
	2015	2016	2017	2018	2018
	RMB million	RMB million	RMB million	RMB million	RMB million (Unaudited)
Current assets					
Inventories	1.8	0.3	3.6	11.5	17.3
Accounts receivables	188.7	140.8	311.0	379.2	344.5
Prepayments, deposits and other receivables	356.8	321.0	875.5	1,679.0	1,712.2
Financial assets at fair value through profit or loss	—	—	963.1	293.4	378.8
Cash and cash equivalents	63.7	1,102.2	1,170.1	1,210.6	1,460.7
Total	<u>611.0</u>	<u>1,564.3</u>	<u>3,323.3</u>	<u>3,573.7</u>	<u>3,913.5</u>

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	As of December 31,			As of September 30,	As of November 30,
	2015	2016	2017	2018	2018
	RMB million	RMB million	RMB million	RMB million	RMB million (Unaudited)
Current liabilities					
Accounts payables	36.1	124.5	331.0	325.8	255.0
Other payables, accruals and other liabilities	1,812.1	1,034.7	2,932.6	2,061.5	2,299.9
Convertible bonds	—	381.9	—	—	—
Current income tax liabilities	—	8.1	22.0	27.2	22.3
Financial liabilities at fair value through profit or loss	—	—	—	353.1	359.7
Borrowings	—	—	—	500.0	600.0
Total	<u>1,848.2</u>	<u>1,549.2</u>	<u>3,285.6</u>	<u>3,267.6</u>	<u>3,536.9</u>
Net current (liabilities)/assets	<u>(1,237.2)</u>	<u>15.1</u>	<u>37.7</u>	<u>306.1</u>	<u>376.6</u>

Our net current assets increased from RMB306.1 million as of September 30, 2018, to RMB376.6 million as of November 30, 2018, primarily due to an increase in cash and cash equivalents, partially offset by an increase in other payables, accruals and other liabilities.

Intangible assets

The following table sets out a breakdown of our intangible assets as of the dates indicated:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Goodwill	—	—	4,522.3	4,452.0
Trademark	—	—	663.8	609.9
Software	—	—	23.8	12.5
Platform	—	—	228.8	192.0
Customer relationship	—	—	169.5	157.6
Total	<u>—</u>	<u>—</u>	<u>5,608.2</u>	<u>5,424.0</u>

Our intangible assets consist of goodwill, trademark, software, platform and customer relationship.

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We did not have intangible assets as of December 31, 2015 and 2016. We had intangible assets of RMB5,608.2 million as of December 31, 2017, primarily resulting from the Weying Acquisition. Our intangible assets decreased from RMB5,608.2 million as of December 31, 2017 to RMB5,424.0 million as of September 30, 2018, which was due to: (i) the amortization of intangible assets resulting from business combination; and (ii) the goodwill impairment loss recognized from our disposal of Jietong Wuxian. See Note 15 of the Accountant’s Report in Appendix I to this prospectus.

Impairment review on the goodwill of the business of Beijing Weige Shidai and Ruihai Fangyuan and our remaining business (excluding Jietong Wuxian, collectively the “Combined business”) was conducted by the management as of December 31, 2017 and September 30, 2018. For the purposes of impairment review, the recoverable amount of cash generating units is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a seven-year period.

Under paragraph 33(b) of IAS 36, a period longer than five years can be used if it is justifiable, and the management of the Group used a seven-year period, which takes into account the length of the post-projection period for the cash flow forecast, will be perpetuity, and this shall be achieved by identifying a ‘steady state’ set of assumptions for the cash flows in the last year of the forecasts and applying a terminal value multiple to those cash flows. Therefore, given that the Group expects to maintain an extended high growth rate over a period longer than five years, management of the Group considers that the Group’s business is expected to reach a steady and stable terminal growth state after a seven-year period of gradually declining revenue growth. As a result, management considered that before the projections move into a long-term stable period, such momentum of revenue growth during 2019 to 2023 will continue for another two years after 2023, during which the annual revenue growth rate will gradually drop from 13.8% in year 2023 to 11.0% in year 2024 and further drop to a normal level of 7.3% in year 2025.

Based on the result of the goodwill impairment testing, the headroom of the Combined business was RMB10,378.3 million and RMB11,934.7 million as of December 31, 2017 and September 30, 2018, respectively.

We perform the sensitivity analysis by changing assumptions for either the revenue amount, the terminal value or the discount rate. Had the estimated key assumption during the forecast period been changed as below, the headroom would be decreased to the following:

	Year Ended December 31, 2017	Nine months ended September 30, 2018
	RMB’000	RMB’000
Revenue amount decreases by 10%	4,720,000	6,014,000
Terminal value decreases by 10%	9,794,000	11,266,000
Discount rate increases by 5%	9,477,000	10,973,000

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The key assumptions used in the value in use calculations are as follows:

- Revenue is directly related to the Group's GMV and box office of the Group's business partners. When predicting revenue, the Group referred to the forecast of China's movie market, as well as the service fee rate and the Group's market share in China.
- For items of cost of revenue related to GMV of the Group, the Group referred to its current fee rate and GMV projection to project the ticket system cost and internet infrastructure cost.
- The gross margin is determined by the management based on past performance and current market conditions.
- Selling and marketing expenses and general and administrative expenses are based on the Group's structure, business plan and the management's estimates.
- A terminal growth rate of 2.5% has been used in estimating cash flows beyond a period of seven years.
- The cash flow projections are discounted using a pre-tax discount rate of 19.2%. The discount rate reflects the current market assessments of the time value of money and is based on the estimated cost of capital.

See Note 15 of the Accountant's Report in Appendix I to this prospectus.

Deferred income tax assets/liabilities

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences. See Note 19 of the Accountant's Report in Appendix I to this prospectus.

We had deferred income tax assets of RMB3.4 million as of December 31, 2015 as a result of net loss. Such loss was utilized in 2016 as we had taxable profit, and we further had deferred income tax liabilities of RMB4.2 million as of December 31, 2016. Our deferred income tax liabilities increased significantly to RMB221.8 million as of December 31, 2017, which was primarily related to the identifiable intangible assets acquired under the Weying Acquisition. Our deferred income tax liabilities decreased to RMB201.1 million as of September 30, 2018 due to the amortization of the intangible assets acquired under the Weying Acquisition.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables primarily comprise deposits for online entertainment ticketing service, amounts due from related parties, prepayment for investment in movies and TV series, prepayments for system service fee, staff advances, prepaid income tax and others.

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The following table sets out a breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Deposits for online entertainment				
ticketing and e-commerce services	344.6	281.0	320.1	861.6
Amounts due from related parties	0.1	—	389.1	220.9
Prepayment for content production	8.8	18.4	32.8	433.5
Prepayment for ticketing system cost	—	11.8	60.0	44.8
Value-added tax allowance	1.8	6.0	45.7	69.3
Staff advances	0.3	2.1	11.4	14.8
Prepaid income tax	—	—	8.9	5.6
Others	1.2	1.7	7.5	28.5
Total	<u>356.8</u>	<u>321.0</u>	<u>875.5</u>	<u>1,679.0</u>

Our prepayments, deposits and other receivables decreased from RMB356.8 million as of December 31, 2015 to RMB321.0 million as of December 31, 2016, primarily due to a decrease in deposits for online entertainment ticketing services to cinemas and other event promoters as we had more established relationships with our business partners, leading to relatively lower deposits required on average by each of such partners. This was partially offset by an increase in the prepayments for content production as a result of some new movie projects we invested in during 2016.

Our prepayments, deposits and other receivables increased significantly from RMB321.0 million as of December 31, 2016 to RMB875.5 million as of December 31, 2017, primarily due to: (i) an increase in amounts due from related parties consisting primarily of online entertainment ticketing and merchandise sales revenue payable to us by Meituan Dianping, which was generated from transactions through the Meituan Dianping portals of our services; and (ii) increases in deposits for online entertainment ticketing services made to the cinemas and other event promoters and in the prepayments for ticketing system cost, which were in line with the growing number of cooperating cinemas and other event promoters resulting from the growth of our online entertainment ticketing services.

Our prepayments, deposits and other receivables further increased from RMB875.5 million as of December 31, 2017 to RMB1,679.0 million as of September 30, 2018, primarily due to: (i) an increase in deposits made to cinemas and other event promoters, which was in line with the growth of our online entertainment ticketing services; and (ii) an increase in the prepayments for content production which was in line with the growth of our entertainment content production services. This was partially offset by: (i) a decrease in amounts due from related parties as certain online entertainment ticketing receivables from related parties were settled; and (ii) a decrease in prepayments for ticketing system cost.

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The following table sets forth a breakdown of our amounts due from related parties as of the dates indicated:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Prepayments, deposits and other receivables				
Meituan Dianping	0.1	—	338.2	174.1
Beijing Weying	—	—	45.8	45.9
Tencent	—	—	2.1	0.8
Enlight Group	—	—	3.0	0.1
Total	0.1	—	389.1	220.9

Our amounts due from Meituan Dianping comprise primarily the online entertainment ticketing service GMV receivables generated from our service portal on *Meituan* and *Dianping* apps. When received, we will further settle such proceeds with cinemas and event promoters as well as ticketing system companies after deducting our service fees. Such receivables are settled on a T+1 basis. December 31, 2017 and September 30, 2018 were Sundays, and as no settlement happens on weekends, we had unsettled GMV of three days on these two dates, respectively. We had less amounts due from Meituan Dianping as of September 30, 2018 than December 31, 2017, primarily because we generally have higher ticket sales during the year-end holidays.

Our amounts due from Beijing Weying comprise ticketing revenue receivables. Prior to the Weying Acquisition, Beijing Weige Shidai sold movie coupons. We assumed the contractual obligation for the redemption of such coupons upon completion of the Weying Acquisition in 2017. Under our arrangement with Beijing Weying, any subsequent redemption of the coupons by customers will incur ticketing revenue receivables due from Beijing Weying. Such receivables are settled periodically.

Our amounts due from Tencent and Enlight Group were primarily in relation to the entertainment content services we provided to them in our cooperation in entertainment content services.

Our amounts due from related parties are in principal incurred from time to time in the course of our regular business operation.

Accounts receivables

Our accounts receivables primarily consist of accounts receivables from our online entertainment ticketing services and our entertainment content services. The carrying amounts of accounts receivables are derived from the gross amount less allowance for impairment. An aging analysis is typically performed on the gross amount of accounts receivables.

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The following table sets out an aging analysis of our gross accounts receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	RMB Million	RMB Million	RMB Million	RMB Million
0-90 days	129.6	132.0	178.2	111.9
90-180 days	50.7	7.1	80.6	148.6
180-365 days	11.1	3.3	55.5	46.2
Over 365 days	—	—	5.7	84.3
	<u>191.4</u>	<u>142.4</u>	<u>320.0</u>	<u>391.0</u>
Less: Allowance for impairment	<u>(2.7)</u>	<u>(1.6)</u>	<u>(9.0)</u>	<u>(11.8)</u>
Accounts receivables, net	<u><u>188.7</u></u>	<u><u>140.8</u></u>	<u><u>311.0</u></u>	<u><u>379.2</u></u>

Our accounts receivables increased to RMB311.0 million as of December 31, 2017, primarily due to the assumption of accounts receivables relating to the Weying Acquisition. Our accounts receivables further increased to RMB379.2 million as of September 30, 2018, which was in line with the growth of our services.

The turnover days of our accounts receivables were 76, 44, 32 and 31 for 2015, 2016, 2017 and the nine months ended September 30, 2018, respectively. We saw a general decreasing trend in the turnover days of our accounts receivables, primarily because of a larger increase in our revenue than in our accounts receivables. As we retain our service fees directly from the revenue of online entertainment ticketing services, such service fees generally do not have an impact on our accounts receivables. Approximately RMB75.0 million, or 19.2%, of our accounts receivables as of September 30, 2018 had been settled as of November 30, 2018.

Accounts payables

Our accounts payables primarily consist of: (i) payables for distribution and promotion tasks; and (ii) payables for ticketing system cost.

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The following table sets out a breakdown of our accounts payables as of the dates indicated:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Payables for distribution and promotion cost	—	61.2	66.1	90.0
Payables for ticketing system cost	36.1	63.0	262.2	212.9
Internet Infrastructure fee payables to related parties	—	0.1	0.2	—
Entertainment content production investment	—	—	—	16.1
Others	—	0.2	2.5	6.8
Total	<u>36.1</u>	<u>124.5</u>	<u>331.0</u>	<u>325.8</u>

Our accounts payables increased from RMB36.1 million as of December 31, 2015 to RMB124.5 million as of December 31, 2016, primarily due to: (i) an increase in payables for distribution and promotion tasks conducted by distribution and promotion service providers we work with, which was in line with the growth of our entertainment content services; and (ii) an increase in payables of ticketing system cost, which was in line with the growth of our online movie ticketing services.

Our accounts payables increased from RMB124.5 million as of December 31, 2016 to RMB331.0 million as of December 31, 2017, primarily due to the increase in payables of ticketing system cost, which was generally in line with the growth of our online entertainment ticketing services.

Our accounts payables remained relatively stable as of September 30, 2018 at RMB325.8 million.

The turnover days of our accounts payables were 34, 60, 103 and 82 for 2015, 2016, 2017 and the nine months ended September 30, 2018, respectively. We saw a general increasing trend in the turnover days of our accounts payables during the Track Record Period, primarily because we had established relationship with our suppliers and secured more favorable trade terms, which was in line with the growth of our business. Approximately RMB132.4 million, or 40.6%, of our accounts payables as of September 30, 2018 had been settled as of November 30, 2018.

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The following table sets out an aging analysis of our accounts payables based on recognition date at the respective balance sheet dates:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
0-90 days	36.1	117.3	191.4	217.2
90-180 days	—	5.7	108.5	47.0
180-365 days	—	1.5	20.0	29.9
Over 365 days	—	—	11.1	31.7
Total	<u>36.1</u>	<u>124.5</u>	<u>331.0</u>	<u>325.8</u>

Other payables, accruals and other liabilities

Our other payables, accruals and other liabilities primarily consist of: (i) amounts due to related parties; (ii) payable in respect of share in the box office representing a portion of box office receipts of the movie projects where we acted as co-producers or lead distributors which shall be further distributed to other movie project participants including co-producers and distributors and production crew according to their respective share; and (iii) payable in respect of online entertainment ticketing and e-commerce services.

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
Amounts due to related parties	982.1	112.9	293.3	96.5
Payable in respect of share in the box office	—	7.1	625.3	433.1
Payable in respect of online entertainment ticketing and e-commerce services	816.2	875.0	1,917.4	1,409.9
Payroll and welfare payable	12.6	26.4	50.1	65.6
Other tax liabilities	1.2	12.3	38.6	21.5
Others	—	1.0	7.9	34.9
Total	<u>1,812.1</u>	<u>1,034.7</u>	<u>2,932.6</u>	<u>2,061.5</u>

We generally have larger other payables, accruals and other liabilities compared to our accounts payables.

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When acting as a movie's lead distributor, the gross proceeds we receive from revenue-sharing box office, after deducting our distribution fee, will be remitted to movie production companies and co-distributors, if any, and are recorded as other payables under payable in respect of share in the box office. As such amount is paid primarily to movie production companies, which are our customers, it is not considered as trade payables to suppliers. See "Business — Our Services — Entertainment Content Services — Services Provided for Movies."

Cinemas, event promoters and venue operators sell tickets and other merchandise including food and beverages through us. Revenue from such services is recognized on a net basis as we are not regarded as the primary obligor. The cash received from users, after deducting our commission, will be remitted to cinemas, venue operators and event promoters and is recorded as other payables under payable in respect of online entertainment ticketing and e-commerce services. As such amount is paid to cinemas, venue operators and event promoters, which are our customers, it is not considered as trade payables to suppliers.

Our other payables, accruals and other liabilities decreased from RMB1,812.1 million as of December 31, 2015 to RMB1,034.7 million as of December 31, 2016 due to a decrease in amounts due to related parties.

Payables in respect of online entertainment ticketing and e-commerce services represent the amounts to be settled with cinemas and event promoters when we receive ticket payments from the audience. The increasing trend of such payables from December 31, 2015 to December 31, 2017 is in line with the growth of our online entertainment ticketing services. The decrease from December 31, 2017 to September 30, 2018 was primarily because we generally have higher ticket sales during the year-end holidays.

Our other payables, accruals and other liabilities further increased to RMB2,932.6 million as of December 31, 2017, primarily due to: (i) an increase in payable in respect of our share in the box office of movies we co-produced or lead distributed; (ii) an increase in advance from customers consisting of advance payment for online ticketing revenue from third-party platforms where we operate portals to our services; and (iii) an increase in amounts due to related parties as we had an amount payable to Beijing Weying under the capital increase agreement. See "History and Reorganization — Material Shareholding Change and Pre-IPO Investments — Pre-IPO Investment by Linzhi Lixin and Acquisition of Beijing Weige Shidai."

Our other payables, accruals and other liabilities decreased to RMB2,061.5 million as of September 30, 2018. The decrease was primarily due to: (i) a decrease in amounts due to related parties as we settled the amounts due to Beijing Weying under the capital increase agreement in July 2018. See "History and Reorganization — Material Shareholding Change and Pre-IPO Investments — Pre IPO Investment by Linzhi Lixin and Acquisition of Beijing Weige Shidai"; (ii) a decrease in payable in respect of share in box office, as the box office of a movie was being settled around the end of 2017 and completed in early 2018; and (iii) a decrease in payable in respect of online entertainment ticketing and e-commerce services which represent the amounts to be settled with cinemas and event promoters when we receive ticket payments from the audience. This was primarily because we generally have higher ticket sales during the year-end holidays.

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Financial assets at fair value through profit or loss

The following table sets out a breakdown of such assets as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	September 30,
	RMB million	RMB million	RMB million	2018
	RMB million	RMB million	RMB million	RMB million
Investment in bank-issued wealth management products	—	—	963.1	293.4
Unlisted investments	—	—	32.8	38.8
Total	—	—	995.9	332.2

Our unlisted investments represent our minority equity investments in four private companies, including event promoter and movie distributors. See Note 18 of the Accountant's Report in Appendix I to this prospectus.

Our financial assets at fair value through profit or loss decreased from December 31, 2017 to September 30, 2018 primarily because certain bank-issued wealth management products matured and were redeemed by us.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	Year ended December 31,			Nine months ended	
	2015	2016	2017	September 30,	2018
Revenue growth (%)	N/A	130.8	85.0	N/A	99.6
Gross margin ⁽¹⁾ (%)	50.0	64.4	68.4	69.4	64.1
Net margin ⁽²⁾ (%)	(217.4)	(36.9)	(3.0)	(9.9)	(4.7)
EBITDA margin ⁽³⁾ (%)	(217.4)	(35.3)	(0.7)	(4.4)	(1.0)
Adjusted EBITDA margin ⁽⁴⁾ (%)	(212.9)	(20.5)	6.6	5.4	3.1
Adjusted net margin ⁽⁵⁾ (%)	(212.9)	(21.8)	4.9	0.8	(0.6)

Notes:

- (1) Gross margin equals gross profit divided by revenue for the period and multiplied by 100%.
- (2) Net margin equals net profit/(loss) divided by revenue for the period and multiplied by 100%.
- (3) EBITDA margin equals EBITDA divided by revenue for the period and multiplied by 100%.
- (4) Adjusted EBITDA margin equals adjusted EBITDA divided by revenue for the period and multiplied by 100%.
- (5) Adjusted net margin equals adjusted net profit/(loss) for the period divided by revenue for the period and multiplied by 100%.

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See “— Period-to-Period Comparison of Results of Operations — Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017”, “— Period-to-Period Comparison of Results of Operations — 2017 Compared to 2016” and “— Period-to-Period Comparison of Results of Operations — 2016 Compared to 2015” for a discussion of the factors affecting our key financial ratios and results of operations during the respective periods.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from operations, and to a lesser extent, equity and debt financing.

As of December 31, 2015, 2016, 2017 and September 30, 2018, we had cash and cash equivalents of RMB63.7 million, RMB1,102.2 million, RMB1,170.1 million and RMB1,210.6 million, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net proceeds received from the Global Offering.

Cash Flow

The following table sets out our cash flows for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million	RMB million
				(Unaudited)	
Net cash (used in)/generated from operating activities	(989.7)	64.8	1,074.0	667.8	(1,433.5)
Net cash (used in)/generated from investing activities	(10.6)	(23.9)	(1,080.1)	(803.4)	625.0
Net cash generated/(used in) from financing activities	1,064.0	997.6	74.0	(400.0)	849.0
Net increase/(decrease) in cash and cash equivalents	63.7	1,038.5	67.9	(535.6)	40.5
Cash and cash equivalents at the beginning of the period	—	63.7	1,102.2	1,102.2	1,170.1
Cash and cash equivalents at the end of the year/period	63.7	1,102.2	1,170.1	566.6	1,210.6

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Net Cash (Used in)/Generated from Operating Activities

Net cash (used in)/generated from operating activities primarily comprise our loss for the period adjusted by: (i) income tax paid, non-operating items and non-cash items; and (ii) changes in working capital.

In the nine months ended September 30, 2018, our net cash used in operating activities was RMB1,433.5 million, which was primarily attributable to our loss before income tax of RMB145.3 million, as adjusted by: (i) the add-back of non-cash items, primarily comprising share-based compensation expenses of 99.3 million, impairment of goodwill arising from the acquisition of Jietong Wuxian of RMB62.8 million and amortization of intangible assets resulting from business combination of RMB103.9 million; and (ii) changes in working capital, which primarily comprised an increase in prepayments, deposits and other receivables of RMB819.1 million, a decrease in other payables, accruals and other liabilities of RMB612.8 million and an increase in accounts receivables of RMB93.3 million.

In 2017, our net cash generated from operating activities was RMB1,074.0 million, which was primarily attributable to our loss before income tax of RMB75.9 million, as adjusted by: (i) the add-back of non-cash items, primarily comprising share-based compensation expenses of RMB184.5 million, amortization of intangible assets resulting from business combination of RMB45.1 million; and (ii) changes in working capital, which primarily comprised an increase in other payables, accruals and other liabilities of RMB1,791.5 million, partially offset by a decrease in accounts payables of RMB612.2 million, an increase in accounts receivables of RMB118.4 million and an increase in prepayments, deposits and other receivables of RMB176.8 million.

In 2016, our net cash generated from operating activities was RMB64.8 million, which was primarily attributable to our loss before income tax of RMB498.4 million, as adjusted by: (i) the add-back of non-cash items, primarily comprising share-based compensation expenses of RMB202.7 million and loss on disposals of property, plant and equipment of RMB30.6 million; and (ii) changes in working capital, which primarily comprised an increase in accounts payables of RMB88.6 million and an increase of other payables, accruals and other liabilities of RMB147.5 million.

In 2015, our net cash used in operating activities was RMB989.7 million, which was primarily attributable to our loss before income tax of RMB1,300.9 million, as adjusted by: (i) the add-back of non-cash items, primarily comprising share-based compensation expenses of RMB27.3 million; and (ii) changes in working capital, which primarily comprised increase in other payables, accruals and other liabilities of RMB883.8 million, partially offset by increases in accounts receivables of RMB132.8 million and prepayments, deposits and other receivables of RMB259.6 million and a decrease in accounts payables of RMB213.9 million.

Net Cash (Used in)/Generated from Investing Activities

In the nine months ended September 30, 2018, our net cash generated from investing activities was RMB625.0 million, which was primarily attributable to the proceeds from expiration of bank-issued wealth management products, which was partially offset by new subscription of bank-issued wealth management products.

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In 2017, our net cash used in investing activities was RMB1,080.1 million, which was primarily attributable to net subscription of bank-issued wealth management products of RMB927.4 million, partially offset by the net cash and cash equivalents of entities acquired in 2017.

In 2016, our net cash used in investing activities was RMB23.9 million, which was primarily attributable to purchase of equipment.

In 2015, our net cash used in investing activities was RMB10.6 million, which was primarily attributable to purchase of equipment.

Net Cash Generated from Financing Activities

In the nine months ended September 30, 2018, our net cash generated from financing activities was RMB849.0 million, which was primarily attributable to proceeds from short-term borrowings and the issuance of the 2018 CB.

In 2017, our net cash generated from financing activities was RMB74.0 million, which was primarily attributable to proceeds from issuance of ordinary shares for RMB500.0 million, partially offset by the repayment of convertible bonds of RMB400.0 million.

In 2016, our net cash generated from financing activities was RMB997.6 million, which was primarily attributable to proceeds from issuance of convertible bonds of RMB400.0 million.

In 2015, our net cash generated from financing activities was RMB1,064.0 million, which was the equity funding provided by a shareholder.

INDEBTEDNESS

Bank Loans

As of November 30, 2018, we had a total of RMB600.0 million of bank borrowings, representing the one-year term loans our subsidiary, Xinjiang Maoyan Network, borrowed from commercial banks, which include: (i) a bank loan of RMB200.0 million with an interest rate of 4.79% per annum from China Merchants Bank Co., Ltd., guaranteed by Beijing Maoyan Cultural Media Co., Ltd. being liable for the loan jointly and severally; (ii) a bank loan of RMB200.0 million with an interest rate of 4.35% per annum from China Merchants Bank Co., Ltd., secured by pledge of structured deposits in the amount of RMB208.7 million; (iii) a bank loan of RMB100.0 million with an interest rate of 5.44% per annum from Industrial Bank Co., Ltd., guaranteed by Beijing Maoyan Cultural Media Co., Ltd. being liable for the loan jointly and severally; and (iv) an unsecured bank loan of RMB100.0 million with an interest rate of 4.96% per annum from Bank of Ningbo Co., Ltd. As of November 30, 2018, we had unutilized banking facilities of RMB900.0 million.

Our Directors confirm that, as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period

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and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

2018 CB

On July 24, 2018, Cheshire Investments Fund agreed to subscribe for a convertible bond issued by the Company in the principal amount of US\$50,955,200 pursuant to a convertible bond subscription agreement. See “History and Reorganization — Issuance of 2018 CB” for details.

As of September 30, 2018 and November 30, 2018, our obligations under the convertible bond were RMB353.1 million and RMB359.7 million, respectively, with the annual increases attributable to the compound effect of interest and exchange realignment.

Disclaimer

Except as disclosed above, during the Track Record Period and up to the close of business on November 30, 2018, being the indebtedness date for the purpose of the indebtedness statement, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of December 31, 2015, 2016 and 2017 and November 30, 2018.

CAPITAL EXPENDITURES

The following table sets out a breakdown of our capital expenditures for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB million	RMB million	RMB million	RMB million	RMB million
				(unaudited)	
Purchase of property, plant and equipment	10.6	29.6	25.7	18.9	7.0
Purchase of intangible assets	—	—	—	—	1.9
Total	10.6	29.6	25.7	18.9	8.9

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Our historical capital expenditures primarily included purchase of equipment and intangible assets. We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from operations. Our capital expenditures were RMB10.6 million, RMB29.6 million and RMB25.7 million in 2015, 2016 and 2017, respectively, and RMB18.9 million and RMB8.9 million for the nine months ended September 30, 2017 and 2018, respectively.

We plan to fund our planned capital expenditures using cash generated from operations and the net proceeds from the Global Offering. See “Future Plans and Use of Proceeds.” We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Operating Lease Commitments

Our commitments primarily relate to lease of properties.

Our future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31,			As of September 30,
	2015	2016	2017	2018
	RMB million	RMB million	RMB million	RMB million
No later than 1 year	—	—	11.7	16.7
Later than 1 year and no later than 5 years	—	—	42.6	34.8
Total	<u>—</u>	<u>—</u>	<u>54.3</u>	<u>51.5</u>

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 34 to the Accountant’s Report in Appendix I to this prospectus.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis and they did not distort our results of operations or make our historical results not reflective of our future performance.

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FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks, which arise from foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

Foreign exchange risk

Our businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign operations. We did not enter into any forward contract to hedge our exposure to foreign currency risk for the years ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2018.

As of December 31, 2015, 2016 and 2017 and September 30, 2018, we had no material monetary assets and liabilities that are denominated in currency other than RMB.

We expect to hold a significant amount of foreign exchange assets as the net proceeds from the Global Offering will not be denominated in RMB.

Fair value interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument fluctuates because of changes in market interest rates. Floating rate instruments expose us to cash flow interest rate risk, whereas fixed rate instruments expose us to fair value interest rate risk.

Our income and operating cash flows are substantially independent from changes in market interest rates and we do not have significant interest-bearing assets except for cash and cash equivalents. See Note 3.1(a) to the Accountant's Report in Appendix I to this prospectus.

Price risk

We are exposed to price risk in respect of the long-term investments and short-term investments measured at fair value through profit or loss held by us. We are not exposed to commodity price risk.

Credit risk

Credit risk refers to the risk that one side of the financial instrument cannot fulfill its obligations and cause financial loss to the other party.

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We are exposed to credit risk primarily in relation to our cash and cash equivalents placed with banks and financial institutions, investment in wealth management products, as well as accounts receivables and other receivables. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, cash and cash equivalents are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from trade receivables, we have policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in our outstanding trade receivable balances due from them is not significant.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables.

Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet our obligations as they become due.

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate cash and cash equivalents.

For the maturity profile of our financial assets and financial liabilities based on remaining undiscounted cash flows of ours based on the estimated timing of the net cash outflows, see Note 3.1(c) to the Accountant's Report in Appendix I to this prospectus.

DIVIDEND

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will depend on the availability of dividends received from our subsidiaries. PRC laws require a foreign-invested enterprise to make up for its accumulative losses out of its after-tax profits and allocate at least 10% of its remaining after-tax profits, if any, to fund its statutory reserves until the aggregate amount of its statutory reserves exceeds 50% of its registered capital.

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Any amount of dividend we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividend will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

Historically we have not declared or paid any dividend to our Shareholders and there is no assurance that dividends of any amount will be declared or be distributed in any year. Currently we do not have a formal dividend policy or a fixed dividend distribution ratio.

As advised by Walkers (Hong Kong), the Cayman Islands Legal Advisor to the Company, a Cayman Islands exempted company may pay dividends out of profits, retained earnings or share premium, subject to a solvency test, and the provisions, if any, of the company's memorandum and articles of association. The directors of the Company must be comfortable that they have satisfied their fiduciary duties when the dividends are declared and paid, and are satisfied that the Company will continue to be able to meet its obligations as they fall due after the payment of the dividend. Where dividends are paid out of share premium, there is a statutory test set out in Section 34(2) of the Cayman Islands Companies Law which provides that the share premium account may be applied by the company to pay dividends to its members, "[p]rovided that 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 shall be able to pay its debts as they fall due in the ordinary course of business." There is no provision under the Companies Law which expressly prohibits the Company to declare and pay dividends out of its share premium account where the Company is loss making.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us including our cash and cash equivalents on hand, existing bank borrowings, the available banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

As of September 30, 2018, we did not have any distributable reserves.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We expect to incur listing expenses of approximately RMB128.8 million (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised), of which approximately RMB68.3 million will be directly

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attributable to the issue of our Shares and capitalized. In addition, approximately RMB2.3 million and RMB24.7 million of the listing expenses was expensed in 2017 and in the nine months ended September 30, 2018, respectively, and the remaining RMB33.5 million will be expensed in the last quarter of 2018. Our Directors do not expect such expenses to materially impact our results of operations in 2018.

LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

We have prepared the following loss estimate for the year ended December 31, 2018.

Estimated consolidated loss not more than RMB145.3 million (equivalent to attributable to equity holders of approximately HK\$165.9 million) the Company for the year ended December 31, 2018^{(1),(2)}

Notes:

- (1) The bases on which the above loss estimate has been prepared are summarized in Part A of Appendix IV to this prospectus. The Directors have prepared the estimated consolidated loss attributable to equity holders of the Company for the year ended December 31, 2018 based on the audited consolidated results of our Group for the nine months ended September 30, 2018, the unaudited consolidated results based on the management accounts of our Group for the two months ended November 30, 2018 and an estimate of the consolidated results of our Group for the month ended December 31, 2018. The loss estimate has been prepared on a basis consistent in all material respects with our accounting policies, as presently adopted and as set out in Note 2 of the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated consolidated loss attributable to equity holders of the Company is converted into Hong Kong dollars at the exchange rate of HK\$1.00 to RMB0.8760. No presentation is made that the RMB amounts have been, could have been, or may be, converted to Hong Kong dollars, or vice versa, at that rate.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group which has been 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 Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as at September 30, 2018 as if the Global Offering had taken place on September 30, 2018.

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The 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 had the Global Offering been completed as of September 30, 2018 or any future date.

	Audited Consolidated Net Tangible Assets of the Group Attributable to Equity Holders of the Company as at September 30, 2018 ⁽¹⁾	Conversion of the 2018 CB from liability to equity upon Listing ⁽²⁾	Estimated Net Proceeds from the Global Offering ⁽³⁾	Unaudited Pro Forma Adjusted Net Tangible Assets of the Group attributable to Equity Holders of the Company as at September 30, 2018	Unaudited Pro Forma Adjusted Net Tangible Assets per Share ^{(4),(5)}	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HKD
Based on an Offer Price of HK\$14.80 per Share	209,635	353,086	1,624,586	2,187,307	1.94	2.22
Based on an Offer Price of HK\$20.40 per Share	209,635	353,086	2,253,794	2,816,515	2.52	2.88

Notes:

- The audited consolidated net tangible assets attributable to equity holders of the Company as at September 30, 2018 is extracted from the historical financial information contained in the Accountant's Report set forth in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at September 30, 2018 of approximately RMB5,633,566,000 with an adjustment for the intangible assets attributable to equity holders of the Company as at September 30, 2018 of approximately RMB5,423,931,000.
- On July 24, 2018, a pre-IPO investor entered into a convertible bond subscription agreement with the Company, which was further amended on July 30, 2018, pursuant to which the pre-IPO investor subscribed for convertible bond at aggregate principal amount of US\$50,955,200. As at September 30, 2018, the 2018 CB's principal amount along with accrued interest was US\$51,402,882 equivalent to RMB353,086,393.
The 2018 CB, with the conversion amount being the principal and the accrued but unpaid interest, will be automatically converted into Shares of the Company upon Listing, and the 2018 CB will be re-designated from liability to equity. Such adjustment represents the impact of conversion on the unaudited pro forma net tangible assets of the Group should the issuance of additional shares and conversion of the 2018 CB take place at September 30, 2018.
- The estimated net proceeds from the Global Offering are based on 132,377,000 Shares and the indicative Offer Prices of HK\$14.80 per Share and HK\$20.40 per Share, being the low end and high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses, excluding Listing Expenses of approximately RMB27,042,000 which has been accounted for in the consolidated statement of comprehensive income up to September 30, 2018, and does not take account of any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options which have been granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme.

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4. 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 1,125,797,529 Shares (assuming Offer Price is HK\$14.80) and 1,118,321,465 Shares (assuming Offer Price is HK\$20.40) were in issue respectively after taken into consideration the impact of conversion of the 2018 CB upon Listing as if the Global Offering had completed on September 30, 2018 and the share redesignation and share subdivision to be completed upon Listing. The above calculation did not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options which have been granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme.
5. For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8760 to HKD1.00000 set by the PBOC prevailing on January 4, 2019. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
6. 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 September 30, 2018.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since September 30, 2018, being the end date of the periods reported on in the Accountant's Report in Appendix I to this prospectus, except otherwise disclosed in this prospectus, and there has been no event since September 30, 2018 that would materially affect the information as set out in the Accountant's Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION OF BEIJING WEIGE SHIDAI

We completed the Weying Acquisition on September 25, 2017. See "History and Reorganization — Material Shareholding Change and Pre-IPO Investments — Pre-IPO Investment by Linzhi Lixin and Acquisition of Beijing Weige Shidai."

Set out below is certain financial information of Beijing Weige Shidai.

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS OF THE RESULTS OF OPERATIONS OF BEIJING WEIGE SHIDAI

The following table sets out a summary of the consolidated statements of comprehensive income/(loss) of Beijing Weige Shidai and its subsidiaries with line items in absolute amounts and as percentages of its revenue for the periods indicated.

	Year ended December 31,				Period ended September 25,			
	2015		2016		2016		2017	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%
	(Unaudited)							
Revenue	172.8	100.0	521.4	100.0	424.3	100.0	496.2	100.0
Cost of revenue	(59.7)	(34.5)	(164.8)	(31.6)	(131.1)	(30.9)	(151.5)	(30.5)
Gross profit	113.1	65.5	356.6	68.4	293.2	69.1	344.7	69.5
Selling and marketing expenses	(1,114.1)	(644.8)	(1,249.1)	(239.6)	(1,139.6)	(268.5)	(521.0)	(105.0)
General and administrative expenses	(64.6)	(37.4)	(198.0)	(38.0)	(149.2)	(35.2)	(152.3)	(30.7)
Other gains/(losses), net	—	—	1.0	0.2	1.0	0.2	(21.2)	(4.3)
Operating loss	(1,065.6)	(616.7)	(1,089.5)	(209.0)	(994.6)	(234.4)	(349.8)	(70.5)
Finance income, net	—	—	—	—	—	—	—	—
Share of profit of investments accounted for using equity method	—	—	—	—	—	—	(0.1)	0.0
Loss before income tax	(1,065.6)	(616.7)	(1,089.5)	(209.0)	(994.6)	(234.4)	(349.9)	(70.5)
Income tax expenses	—	—	—	—	—	—	—	—
Loss for the year/period	<u>(1,065.6)</u>	<u>(616.7)</u>	<u>(1,089.5)</u>	<u>(209.0)</u>	<u>(994.6)</u>	<u>(234.4)</u>	<u>(349.9)</u>	<u>(70.5)</u>
Loss attributable to:								
- Equity holders of Beijing Weige Shidai	<u>(1,065.6)</u>	<u>(616.7)</u>	<u>(1,085.9)</u>	<u>(208.3)</u>	<u>(992.0)</u>	<u>(233.8)</u>	<u>(347.2)</u>	<u>(70.0)</u>
- Non-controlling interests	<u>—</u>	<u>—</u>	<u>(3.6)</u>	<u>(0.7)</u>	<u>(2.6)</u>	<u>(0.6)</u>	<u>(2.7)</u>	<u>(0.5)</u>
Loss for the year/period	<u>(1,065.6)</u>	<u>(616.7)</u>	<u>(1,089.5)</u>	<u>(209.0)</u>	<u>(994.6)</u>	<u>(234.4)</u>	<u>(349.9)</u>	<u>(70.5)</u>

FINANCIAL INFORMATION

Revenue

The following table sets out a breakdown of the revenue of Beijing Weige Shidai by business segment in absolute amounts and as percentages of Beijing Weige Shidai's revenue for the periods indicated:

	Year ended December 31,				Period ended September 25,			
	2015		2016		2016		2017	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%
	(Unaudited)							
Online entertainment ticketing	142.0	82.2	496.3	95.2	401.2	94.6	475.6	95.8
E-commerce services	30.7	17.8	22.8	4.4	20.1	4.7	5.1	1.0
Advertising services and others	0.1	0.0	2.3	0.4	3.0	0.7	15.5	3.2
Total revenue	<u>172.8</u>	<u>100.0</u>	<u>521.4</u>	<u>100.0</u>	<u>424.3</u>	<u>100.0</u>	<u>496.2</u>	<u>100.0</u>

Cost of Revenue

The following table sets out a breakdown of the cost of revenue of Beijing Weige Shidai by nature in absolute amounts and as percentages of Beijing Weige Shidai's cost of revenue for the periods indicated:

	Year ended December 31,				Period ended September 25,			
	2015		2016		2016		2017	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%
	(Unaudited)							
Ticketing system cost	49.1	82.2	137.9	83.7	110.0	83.9	131.6	86.9
Content distribution and promotion cost	9.2	15.4	9.8	5.9	7.7	5.9	6.9	4.6
Internet infrastructure cost	0.3	0.5	8.9	5.4	6.6	5.0	6.2	4.1
Other expenses	1.1	1.9	8.2	5.0	6.8	5.2	6.8	4.4
Total	<u>59.7</u>	<u>100.0</u>	<u>164.8</u>	<u>100.0</u>	<u>131.1</u>	<u>100.0</u>	<u>151.5</u>	<u>100.0</u>

FINANCIAL INFORMATION

Gross Profit

The following table sets out the gross profit of Beijing Weige Shidai for the periods indicated:

	Year ended December 31,		Period ended September 25,	
	2015	2016	2016	2017
	RMB million	RMB million	RMB million	RMB million
			(Unaudited)	
Gross profit	113.1	356.6	293.2	344.7
Gross margin	65.5%	68.4%	69.1%	69.5%

Selling and Marketing Expenses

The selling and marketing expenses of Beijing Weige Shidai primarily consist of marketing and promotion expenses and employee benefit expenses relating to its marketing staff.

General and Administrative expenses

The general and administrative expenses of Beijing Weige Shidai primarily consist of fees for cloud services and maintenance and employee benefit expenses relating to its administration staff. The following table sets out a breakdown of the major components of the general and administrative expenses of Beijing Weige Shidai in absolute amounts and as percentages of its administrative expenses for the periods indicated:

	Year ended December 31,				Period ended September 25,			
	2015		2016		2016		2017	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%
					(Unaudited)			
Employee benefit expenses (including directors' emoluments)	20.4	31.6	88.3	44.6	77.6	52.0	64.9	42.6
Services fee for Internet platform maintenance	28.9	44.7	38.0	19.2	30.5	20.4	22.9	15.0
Rental fee for office and relevant maintenance expenses	6.7	10.4	23.9	12.1	14.2	9.5	28.9	19.0
Office and traveling expenses	7.1	11.0	19.5	9.8	13.9	9.3	10.1	6.6
Entertainment expenses	0.6	0.9	3.1	1.6	2.1	1.4	4.4	2.9
Depreciation of property, plant and equipment	—	—	1.6	0.8	0.8	0.5	4.0	2.6
Amortization of intangible assets resulting from business combination	—	—	0.6	0.3	0.6	0.4	0.9	0.6
Other expenses	0.9	1.4	23.0	11.6	9.5	6.5	16.2	10.7
Total	64.6	100.0	198.0	100.0	149.2	100.0	152.3	100.0

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF THE RESULTS OF OPERATIONS OF BEIJING WEIGE SHIDAI

Period ended September 25, 2017 Compared to Period ended September 25, 2016

Revenue

The revenue of Beijing Weige Shidai increased from RMB424.3 million for the period ended September 25, 2016 to RMB496.2 million in the period ended September 25, 2017. Such increase was primarily due to: (i) an increase in the revenue from entertainment services and others; and (ii) revenue from entertainment services and others of Beijing Weige Shidai increasing significantly. Beijing Weige Shidai continued to ramp up such services following its acquisition of Gewara in late 2015.

Cost of Revenue, Gross Profit and Gross Margin

The cost of revenue of Beijing Weige Shidai increased by 15.6% from RMB131.1 million in the period ended September 25, 2016 to RMB151.5 million in the period ended September 25, 2017, which was primarily due to an increase in fees for using ticketing system which was in line with the growth of Beijing Weige Shidai's online movie ticketing services.

The gross profit of Beijing Weige Shidai increased from RMB293.2 million for the period ended September 25, 2016 to RMB344.7 million for the period ended September 25, 2017. Its gross margin remained relatively stable at 69.1% in 2016 and 69.5% in 2017.

Selling and Marketing Expenses

The selling and marketing expenses of Beijing Weige Shidai decreased by 54.3% from RMB1,139.6 million in the period ended September 25, 2016 to RMB521.0 million for the period ended September 25, 2017, primarily due to decrease in user incentives as it continued to review its marketing position.

General and Administrative Expenses

The general and administrative expenses of Beijing Weige Shidai remained stable from September 25, 2016 to September 25, 2017, amounting to RMB149.2 million and RMB152.3 million, respectively.

Loss for the Period

As a result of the foregoing, Beijing Weige Shidai had a loss of RMB349.9 million for the period ended September 25, 2017, compared to a loss of RMB994.6 million for the period ended September 25, 2016.

FINANCIAL INFORMATION

2016 Compared to 2015

The revenue of Beijing Weige Shidai increased significantly from RMB172.8 million in 2015 to RMB521.4 million in 2016. Such increase was primarily due to increases in the revenue from online movie ticketing and entertainment services and others. Revenue from the online movie ticketing business of Beijing Weige Shidai increased due to an increase in ticketing service fees retained by us per ticket sold. Revenue from the entertainment services and other business of Beijing Weige Shidai increased significantly due to the consolidation of Gewara's entertainment event distribution and promotion business as a result of Beijing Weige Shidai's acquisition of Gewara in late 2015.

Cost of Revenue, Gross Profit and Gross Margin

The cost of revenue of Beijing Weige Shidai increased significantly from RMB59.7 million in 2015 to RMB164.8 million in 2016. Such increase was primarily due to an increase in fees for using ticketing system from RMB49.1 million in 2015 to RMB137.9 million in 2016, which was in line with the growth of Beijing Weige Shidai's movie ticketing services.

The gross profit of Beijing Weige Shidai increased from RMB113.1 million in 2015 to RMB356.6 million in 2016, and its gross margin was 65.5% in 2015 and 68.4% in 2016. The increase in gross margin was mainly due to increased ticketing service fees retained by us per ticket sold.

Selling and Marketing Expenses

The selling and marketing expenses of Beijing Weige Shidai increased by 12.1% from RMB1,114.1 million in 2015 to RMB1,249.1 million in 2016, primarily due to an increase in marketing and promotion expenses, which primarily reflects the development of Beijing Weige Shidai's online ticketing services and entertainment services and others, following its acquisition of Gewara.

General and Administrative Expenses

The general and administrative expenses of Beijing Weige Shidai increased by 206.5% from RMB64.6 million in 2015 to RMB198.0 million in 2016, primarily due to an increase in employee benefit expenses which primarily reflects an increase in employee headcount following the acquisition of Gewara.

Loss for the Year

As a result of the foregoing, Beijing Weige Shidai had a loss of RMB1,089.5 million in 2016, compared to a loss of RMB1,065.6 million in 2015.

FINANCIAL INFORMATION

Current Assets and Current Liabilities

The following table sets out the current assets and liabilities of Beijing Weige Shidai as of the dates indicated:

	As of December 31,		As of
	2015	2016	September 25,
	RMB million	RMB million	2017
Current assets			
Inventories	—	0.4	0.2
Accounts receivables	107.9	146.1	46.1
Prepayments, deposits and other receivables	103.2	163.0	334.4
Cash and cash equivalents	<u>1.1</u>	<u>20.6</u>	<u>8.8</u>
Total	<u>212.2</u>	<u>330.1</u>	<u>389.5</u>
Current liabilities			
Accounts payables	32.1	30.8	99.5
Other payables, accruals and other liabilities	<u>1,278.9</u>	<u>2,503.1</u>	<u>835.5</u>
Total	<u>1,311.0</u>	<u>2,533.9</u>	<u>935.0</u>
Net current liabilities	<u>(1,098.8)</u>	<u>(2,203.8)</u>	<u>(545.5)</u>

FINANCIAL INFORMATION

Cash Flows

The following table sets out the cash flows of Beijing Weige Shidai for the periods indicated:

	Year ended December 31		Period ended September 25
	2015	2016	2017
	RMB million	RMB million	RMB million
Cash flows from operating activities			
Cash used in operations	(909.9)	(1,045.2)	(1,993.0)
Income tax paid	—	—	—
Net cash used in operating activities	<u>(909.9)</u>	<u>(1,045.2)</u>	<u>(1,993.0)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	—	(10.0)	(0.6)
Proceeds from disposal of property, plant and equipment	—	—	0.1
Purchases of intangible assets	(1.2)	(0.9)	(2.5)
Payments for financial assets at fair value through profit or loss	(1.0)	(8.8)	—
Proceeds from disposals of financial assets at fair value through profit or loss	—	—	3.8
Capital injection to an associate	—	(4.9)	(7.5)
Interest received	—	—	—
Net cash used in investing activities	<u>(2.2)</u>	<u>(24.6)</u>	<u>(6.7)</u>
Cash flows from financing activities			
Capital contribution from the shareholders	—	5.0	—
Financing from the equity holders	913.2	1,082.0	1,988.0
Contribution from a minority shareholder	—	2.0	—
Net cash generated from financing activities	<u>913.2</u>	<u>1,089.0</u>	<u>1,988.0</u>
Net increase/(decrease) in cash and cash equivalents	1.1	19.2	(11.7)
Cash and cash equivalents at beginning of year/period	—	1.1	20.6
Exchange difference	—	0.3	(0.1)
Cash and cash equivalents at end of year/period	1.1	20.6	8.8

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$17.60 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus, and assuming the Over-allotment Option is not exercised, we currently intend to use such net proceeds from the Global Offering as follows:

- approximately 30%, or HK\$654.8 million (equivalent to approximately RMB573.6 million), is expected to be used for funding the enhancement of our integrated platform capabilities to better serve users and business partners, by enriching content offerings and strengthening our services, expanding user reach, enhancing user engagement and reinforcing offline resources. See “Business — Our Services”;
- approximately 30%, or HK\$654.8 million (equivalent to approximately RMB573.6 million), is expected to be used for research and development as well as technology infrastructure to enhance our technological and data analytical capabilities and capacity. See “Business — Technology System and Infrastructure”;
- approximately 30%, or HK\$654.8 million (equivalent to approximately RMB573.6 million) is expected to be used for funding the potential investments and acquisitions which we may seek from time to time to expand our business operations, including our proposed acquisition of a minority stake in Huanxi Media. See “Summary — Recent Developments” and “History and Reorganization — Post Track Record Period Acquisitions.” Except for the foregoing, as of the Latest Practicable Date, we have not identified any other investment or acquisition target;

Our investment department consists of members seasoned in the entertainment industry with extensive experience in business strategy and investment as well as accounting and finance. Members of our investment department work closely with our investment committee to identify and assess potential investment targets.

Our investment department is also responsible for monitoring our investment performance on a regular basis. Any material issues will be reported in a timely manner to the investment committee for further discussion. We have established a set of investment policies and internal control measures which require us to continuously monitor the market value of our investments as well as the market risks, in order to achieve reasonable returns on our investments while mitigating our exposure to investment risks.

Our investment policies set out, among others, the following requirements:

- (i) investment targets shall be evaluated based on a number of factors, including the condition of the relevant industries, the targets’ competitive strengths and potential, expertise of management teams, estimated investment return and synergies with our existing businesses;
- (ii) individual investments exceeding RMB30 million, or multiple investments in one target/project within 12 months exceeding a total of RMB100 million shall be reviewed and assessed by our Board; and

FUTURE PLANS AND USE OF PROCEEDS

(iii) investment projects shall be reviewed and assessed on a continuous basis after initiation. The responsible departments shall promptly report to the management when any material operational, financial or other investment risk was discovered.

See “Business — Risk Management and Internal Control — Investment Risk Management.”

As part of our acquisition strategy, we mainly focus on strategic and minority equity investments and will selectively invest in majority or 100% ownership in target companies across different business areas in the entertainment industry, through which we aim to enter into new business areas and form business cooperation relationships with additional industry players along the industry value chain, which in turn may help us to further penetrate into business areas such as movie production, promotion and distribution.

- approximately 10%, or HK\$218.3 million (equivalent to approximately RMB191.2 million), is expected to be used for working capital and general corporate purposes.

We estimate that we will receive from the Global Offering net proceeds, after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering, in the amount as set forth in the following table:

	<u>Based on the low-end of the proposed Offer Price range of HK\$14.80</u>	<u>Based on the mid-end of the proposed Offer Price range of HK\$17.60</u>	<u>Based on the high-end of the proposed Offer Price range of HK\$20.40</u>
Assuming the Over-allotment Option is not exercised	Approximately HK\$1,823.7 million	Approximately HK\$2,182.8 million	Approximately HK\$2,542.0 million
Assuming the Over-allotment Option is exercised in full	Approximately HK\$2,108.4 million	Approximately HK\$2,521.4 million	Approximately HK\$2,934.4 million

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, we currently intend to deposit such net proceeds into interest-bearing bank accounts with licensed commercial banks or other authorized financial institutions.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the cornerstone investors (the “**Cornerstone Investors**”) who have agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 200 Shares) which may be purchased with an aggregate amount of approximately US\$30.0 million (equivalent to approximately HK\$234.8 million).

Assuming the Offer Price of HK\$14.80 (being at the low end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be approximately 15,863,800 Shares, representing approximately (i) 12.0% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 1.4% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 1.4% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$17.60 (being at the mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be approximately 13,340,200 Shares, representing approximately (i) 10.1% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 1.2% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 1.2% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$20.40 (being at the high end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be approximately 11,509,200 Shares, representing approximately (i) 8.7% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 1.0% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 1.0% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules). The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. None of the Cornerstone Investors will have any representation on the Board or become a substantial Shareholder of our Company upon completion of the Global Offering, or will subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investment agreements referred to below.

CORNERSTONE INVESTORS

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around February 1, 2019.

OUR CORNERSTONE INVESTORS

Based on the Offer Price of HK\$14.80 (being the low end of the Offer Price range)

Cornerstone Investor	Investment Amount (equivalent (US\$/RMB in million) HK\$ in million)		Number of Offer Shares (rounded down to nearest whole board lot of 200 Shares)	Approximate % of total number of Offer Shares	Approximate % of total Shares in issue immediately following the completion of the Global Offering		
				Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
IMAX Hong Kong	US\$15.0	117.5	7,939,600	6.0%	5.2%	0.7%	0.7%
Hylink Investment Prestige of The Sun	US\$5.0	39.2	2,646,400	2.0%	1.7%	0.2%	0.2%
Welight Capital	RMB30.0	34.2	2,313,800	1.7%	1.5%	0.2%	0.2%
Green Better	US\$3.0	23.5	1,587,800	1.2%	1.0%	0.1%	0.1%
	US\$2.6	20.4	1,376,200	1.0%	0.9%	0.1%	0.1%
Total		234.8	15,863,800	12.0%	10.4%	1.4%	1.4%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$17.60 (being the mid-point of the Offer Price Range)

Cornerstone Investor	Investment Amount (US\$/ (equivalent RMB in HK\$ in million) million)		Number of Offer Shares (rounded down to nearest whole board lot of 200 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering	
				Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
IMAX Hong Kong	US\$15.0	117.5	6,676,600	5.0%	4.4%	0.6%	0.6%
Hylink Investment	US\$5.0	39.2	2,225,400	1.7%	1.5%	0.2%	0.2%
Prestige of The Sun	RMB30.0	34.2	1,945,800	1.5%	1.3%	0.2%	0.2%
Welight Capital	US\$3.0	23.5	1,335,200	1.0%	0.9%	0.1%	0.1%
Green Better	US\$2.6	20.4	1,157,200	0.9%	0.8%	0.1%	0.1%
Total		234.8	13,340,200	10.1%	8.8%	1.2%	1.2%

Based on the Offer Price of HK\$20.40 (being the high end of the Offer Price range)

Cornerstone Investor	Investment Amount (US\$/ (equivalent RMB in HK\$ in million) million)		Number of Offer Shares (rounded down to nearest whole board lot of 200 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering	
				Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
IMAX Hong Kong	US\$15.0	117.5	5,760,200	4.4%	3.8%	0.5%	0.5%
Hylink Investment	US\$5.0	39.2	1,920,000	1.5%	1.3%	0.2%	0.2%
Prestige of The Sun	RMB30.0	34.2	1,678,600	1.3%	1.1%	0.2%	0.1%
Welight Capital	US\$3.0	23.5	1,152,000	0.9%	0.8%	0.1%	0.1%
Green Better	US\$2.6	20.4	998,400	0.8%	0.7%	0.1%	0.1%
Total		234.8	11,509,200	8.7%	7.6%	1.0%	1.0%

CORNERSTONE INVESTORS

The following information on the Cornerstone Investors was provided to the Company by the Cornerstone Investors.

IMAX Hong Kong

IMAX China (Hong Kong), Limited (“**IMAX Hong Kong**”) has agreed, through designated entities (including qualified domestic institutional investors), to subscribe for such number of Shares (rounded down to the nearest whole board lot of 200 Shares) which may be purchased with an aggregate amount of US\$15.0 million (equivalent to approximately HK\$117.5 million) at the Offer Price.

IMAX Hong Kong is a wholly-owned subsidiary of IMAX China Holding, Inc. IMAX China Holding, Inc. is a company incorporated in Cayman Islands and its shares were listed on the Stock Exchange of Hong Kong Limited (Stock Code: 1970) on October 8, 2015. Founded in 2010, IMAX China Holding, Inc. is a leading cinematic technology provider for large-format theaters across Greater China.

Hylink Investment

Hylink Investment Holdings Co., Ltd (“**Hylink Investment**”) has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 200 Shares) which may be purchased with an aggregate amount of US\$5.0 million (equivalent to approximately HK\$39.2 million) at the Offer Price.

Hylink Investment is an investment company incorporated in British Virgin Islands. Hylink Investment is a wholly-owned subsidiary of Hylink Digital Solution Co., Ltd which was listed on the Shanghai Stock Exchange (Stock Code: 603825) on August 2, 2017. Founded in 1994, Hylink Digital Solution Co., Ltd is one of the first agencies providing digital marketing services in China.

Prestige of The Sun

Prestige of The Sun Limited (“**Prestige of The Sun**”) has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 200 Shares) which may be purchased with an aggregate amount of RMB30.0 million (equivalent to approximately HK\$34.2 million) at the Offer Price.

Prestige of The Sun is an investment company incorporated in Republic of The Marshall Islands. Prestige of The Sun is wholly owned by Ms. Sun Yumeng (孫雨萌), who is specialized in artist agency business, concert organization and investment.

Welight Capital

Welight Capital L.P. (“**Welight Capital**”) has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 200 Shares) which may be purchased with an aggregate amount of US\$3.0 million (equivalent to approximately HK\$23.5 million) at the Offer Price.

Welight Capital is a venture capital dedicated to investment in fields including industrial internet, enterprise service, finance, consumption upgrading and e-commerce. Welight Capital is founded by Mr. Wu Xiaoguang. Mr. Wu Xiaoguang joined Tencent in 1999 and served as Tencent’s senior vice president from June 2004 to June 2015. Mr. Wu Xiaoguang is mainly running business of Welight Capital.

CORNERSTONE INVESTORS

Green Better

Green Better Limited (“**Green Better**”) has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 200 Shares) which may be purchased with an aggregate amount of US\$2.6 million (equivalent to approximately HK\$20.4 million) at the Offer Price.

Green Better is an investment company incorporated in the British Virgin Islands. Green Better is a wholly-owned subsidiary of Xiaomi Corporation, which was listed on the Main Board of the Hong Kong Stock Exchange on July 9, 2018 (Stock Code: 1810). Xiaomi Corporation is a China-based investment holding company principally engaged in the research, development and sales of smartphones, Internet of things and lifestyle products, the provision of Internet services, and investment business.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;
- (b) the Offer Price having been agreed upon between the Company and the Price Determination Banks (on behalf of the Underwriters);
- (c) the Listing Committee having granted the listing of, and permission to deal in, the Shares and that such approval or permission not having been revoked prior to the commencement of dealings in the Shares;
- (d) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or in the Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors under the relevant cornerstone investment agreements are accurate and true in all respects and not misleading and that there is no material breach of the relevant cornerstone investment agreements on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), dispose of any of the Shares they have purchased pursuant to the relevant cornerstone investment agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries which will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

UNDERWRITING

HONG KONG UNDERWRITERS

China Renaissance Securities (Hong Kong) Limited
Morgan Stanley Asia Limited
Merrill Lynch (Asia Pacific) Limited
China International Capital Corporation Hong Kong Securities Limited
UBS AG Hong Kong Branch
China Securities (International) Corporate Finance Company Limited
CMB International Capital Limited
BOCI Asia Limited
ICBC International Securities Limited
China Merchants Securities (HK) Co., Limited
Haitong International Securities Company Limited
Futu Securities International (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering initially 13,237,800 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong on and subject to the terms and conditions in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme, and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including the Price Determination Banks (for themselves and on behalf of the Underwriters) and the Company agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

For applicants applying under the Hong Kong Public Offering, this document and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering is expected to be fully underwritten by the International Underwriters.

UNDERWRITING

Grounds for Termination

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (in writing) to the Company to terminate the Hong Kong Underwriting Agreement, with immediate effect, if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, the BVI, Hong Kong, the PRC, the United States, the United Kingdom, the European Economic Area, Singapore or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”);
 - (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions;
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange;
 - (iv) any general moratorium on commercial banking activities in the Cayman Islands, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at Federal or New York State level or other competent authority), London, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction;
 - (v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions;
 - (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, under any sanction laws, or regulations in, Hong Kong, the PRC or any other Relevant Jurisdiction;

UNDERWRITING

- (vii) a change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions;
- (viii) any litigation or claim of any third party being threatened or instigated against any member of the Group;
- (ix) a Director or a member of the Group's senior management as named in this document being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company;
- (x) the chairman, the chief executive officer or the chief financial officer of the Company vacating his or her office;
- (xi) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director;
- (xii) a contravention by any member of the Group of the Listing Rules or applicable laws;
- (xiii) a prohibition by an authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering;
- (xiv) non-compliance of this document (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws;
- (xv) the issue or requirement to issue by the Company of any supplement or amendment to this document or any other documents issued or used in connection with the Global Offering pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;
- (xvi) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity, which is legally enforceable,

UNDERWRITING

which, individually or in the aggregate, in the sole opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

- (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or
 - (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
 - (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
 - (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Sponsors, the Sole Financial Advisor or the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):
- (i) that any statement contained in any of the post-hearing information proof, this document, the Application Forms, the formal notice and the announcement for adoption of mixed media offer (if any), the Price Determination Agreement, the receiving banks agreement, the registrar agreement and (if applicable) any agreement between the Company and the White Form eIPO Service Provider and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (collectively, the “**Offer Related Documents**”) (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this document, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or
 - (iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters), as applicable; or

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- (iv) any event, act or omission which gives or is likely to give rise to any indemnity liability of the Company under the Hong Kong Underwriting Agreement; or
- (v) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole; or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the representations, warranties, agreements and undertakings of the Company in the Hong Kong Underwriting Agreement; or
- (vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering or that may be issued pursuant to the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) the Company withdraws any of the Offer Related Documents or the Global Offering; or
- (ix) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawing its consent to the issue of this document with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (x) that the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that no further Shares or securities convertible into Shares (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including the exercise of the Over-allotment Option) or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

UNDERWRITING

Undertakings by Mr. WANG Changtian, Vibrant Wide Limited, Enlight Media, Hong Kong Pictures International Limited, Inspired Elite Investments Limited, Image Flag Investment (HK) Limited, Weying (BVI) Limited, CMC Sports Investment Limited and Rhythm Brilliant Limited

Pursuant to the deeds of lock-up undertakings respectively entered into by Mr. WANG Changtian, Vibrant Wide Limited, Enlight Media, Hong Kong Pictures International Limited, Inspired Elite Investments Limited, Image Flag Investment (HK) Limited, Weying (BVI) Limited, CMC Sports Investment Limited and Rhythm Brilliant Limited in favor of the Company and the Joint Representatives (for themselves and on behalf of the Underwriters), each of Mr. WANG Changtian, Vibrant Wide Limited, Enlight Media, Hong Kong Pictures International Limited, Inspired Elite Investments Limited, Image Flag Investment (HK) Limited, Weying (BVI) Limited, CMC Sports Investment Limited and Rhythm Brilliant Limited has undertaken to the Company and the Joint Representatives that except as may be required by a governmental authority, court of law, an arbitral tribunal or a requirement of any applicable law, regulation or the Listing Rules, or with the prior written consent of the Company and the Joint Representatives (for themselves and on behalf of the Underwriters), it/he will not and will procure that no company controlled by it/him will, at any time during the period commencing on the Listing Date, and ending on a date which is six months from the Listing Date (the “**Lock-up Period**”):

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities that are convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing) held by it/him immediately following completion of the Global Offering (the “**Investor Shares**”), or deposit any Investor Shares with a depository in connection with the issue of depository receipts;
- (ii) 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 Investor Shares;
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or contract to or agree to or publicly disclose that he/it will or may enter into any transaction described in (i), (ii) or (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the Lock-up Period).

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For the avoidance of doubt, the foregoing restrictions shall not (i) apply to the Shares acquired by Mr. WANG Changtian, Vibrant Wide Limited, Enlight Media, Hong Kong Pictures International Limited, Inspired Elite Investments Limited, Image Flag Investment (HK) Limited, Weying (BVI) Limited, CMC Sports Investment Limited or Rhythm Brilliant Limited subsequent to the completion of the Global Offering, (ii) apply to any lending of the Investor Shares by any of Mr. WANG Changtian, Vibrant Wide Limited, Enlight Media, Hong Kong Pictures International Limited, Inspired Elite Investments Limited, Image Flag Investment (HK) Limited, Weying (BVI) Limited, CMC Sports Investment Limited and Rhythm Brilliant Limited pursuant to the Stock Borrowing Agreement (if applicable); (iii) prevent (x) either of them from using their beneficially owned Shares as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, or (y) Mr. WANG Changtian from pledging the Shares he owns through Vibrant Wide Limited in connection with the 2018 Pledge; or (iv) apply to transfer of Investor Shares to any of the affiliates of the relevant investor, whether directly or indirectly, provided that, in any such case, it shall be a condition to transfer that the transferee execute a written undertaking (addressed to and in favor of the Company and the Joint Representatives stating that the transferee is receiving and holding such Investor Shares subject to the provisions of the deed of lock-up undertakings entered into by such relevant investor.

In addition, assuming an Offer Price of HK\$17.60 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus, existing holders of the securities issued by the Company (namely Cheshire Investments Fund, Huayi Brothers International Limited, Huashan Investment (HK) Management Co., Limited and Glassy Mind Holdings Limited) holding 30,478,256 Shares (including Shares to be converted from the 2018 CB upon the completion of the Global Offering), representing 2.72% of our total issued share capital immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), will not be subject to lock-up agreements.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Except for the issue, offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme), Shares issued upon conversion of the 2018 CB and otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the “**First Six-Month Period**”), the Company hereby undertakes to each of the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters, the Joint Sponsors and the Sole Financial Advisor not to, without the prior written consent of the Joint Sponsors, the Sole Financial Advisor and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (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

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right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any interest in any of the foregoing), or deposit any Shares or other securities of the Company with a depository in connection with the issue of depository receipts; or

- (ii) 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 interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any of the transactions specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

In the event of, at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), the Company enters into any of the transactions specified in paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Indemnity

The Company has agreed to indemnify, among others, each of the Joint Sponsors, the Sole Financial Advisor, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters’ Interests in our Company

Save as disclosed in this prospectus and save for their obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters is

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interested, legally or beneficially, directly or indirectly, in any Shares or other securities in the Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or other securities in the Company or any other member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliates may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement, amongst others, with the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to subscribe for or purchase or procure subscribers or purchasers for their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Over-allotment Option

The Company expects to grant to the International Underwriters the Over-allotment Option, exercisable by the Stabilizing Manager (on behalf of the International Underwriters) no later than 30 days after the last day for lodging of applications under the Hong Kong Public Offering, which will end on Wednesday, February 27, 2019, to require the Company to sell up to an aggregate of 19,856,400 additional Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price, among other things, to cover over-allocations in the International Offering, if any. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Over-allotment and Stabilization

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the section headed “Structure of the Global Offering” in this prospectus.

Commissions and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 2.5% of the Offer Price of all the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission and other fees, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the Company will pay an underwriting commission at the rate applicable to the International Offering to the relevant International Underwriters (but not the Hong Kong

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Underwriters). In addition, the Company may, in its sole and absolute discretion, pay the Hong Kong Underwriters an additional incentive fee of up to 0.5% of the aggregate Offer Price for each Hong Kong Offer Share (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering pursuant to the Hong Kong Underwriting Agreement).

Based on an Offer Price of HK\$17.60 per Share, being the mid-point of the Offer Price range, the fees and commissions, the Stock Exchange trading fee and the SFC transaction levy payable by the Company in connection with the offering of the Offer Shares under the Hong Kong Public Offering and the International Offering, together with the legal and other professional fees, printing and other expenses payable by us in relation to the Global Offering, are estimated to amount to approximately HK\$147.0 million in aggregate. Such fees, commissions, the Stock Exchange trading fee, the SFC transaction levy and the fees and expenses of professional advisors and service providers engaged in relation to the Global Offering are payable and borne by us.

An amount of approximately US\$1 million is payable by the Company as sponsor fee to the Joint Sponsors.

Independence of each of the Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group’s loans and other debt.

In relation to the Shares, those activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted

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securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

- (i) the Hong Kong Public Offering of initially 13,237,800 Offer Shares (subject to adjustment) in Hong Kong as described in the section headed “The Hong Kong Public Offering” below; and
- (ii) the International Offering of initially 119,139,200 Offer Shares (subject to adjustment and the Over-allotment Option) (i) in the United States to Qualified Institutional Buyers, or QIBs, in reliance on Rule 144A or another available exemption; and (ii) outside the United States in offshore transactions in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors expected to have a sizable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section headed “Reallocation” below, and in the case of the International Offering only, the Over-allotment Option as described in the section headed “Over-allotment Option” below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 13,237,800 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Offering; and (ii) the Hong Kong Public Offering, based on the assumptions that the Over-allotment Option is not exercised, the Hong Kong Offer Shares will represent approximately 1.18% of our Company’s enlarged issued share capital immediately after completion of the Global Offering (assuming full conversion of the 2018 CB into our Shares based on the high end of the Offer Price range), and approximately 1.18% of our Company’s enlarged issued share capital immediately after completion of the Global Offering (assuming full conversion of the 2018 CB into our Shares based on the low end of the Offer Price range).

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “— Hong Kong Underwriting Agreement — Conditions of the Hong Kong Public Offering” below.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes (with any odd board lots being allocated to Pool A):

- Pool A: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less.
- Pool B: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 6,618,800 Hong Kong Offer Shares (being approximately 50% of the 13,237,800 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEx-GL91-18 issued by the Stock Exchange require a clawback mechanism to be put in place, which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the Offer Shares under the International Offering are fully subscribed or oversubscribed and certain prescribed total demand levels under the Hong Kong Public Offering are reached as further described below:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 13,237,800 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering.
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 39,713,200 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering.
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 52,950,800 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering.
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 66,188,600 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Representatives (for

STRUCTURE OF THE GLOBAL OFFERING

themselves and on behalf of the Underwriters) may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

If (i) the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100%, but less than 15 times, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering; or (ii) the Offer Shares under the International Offering are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100% of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Joint Representatives may, at their discretion, reallocate the Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering shall not be increased to more than 26,475,600 Offer Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and approximately 20% of the total number of Offer Shares initially available under the Global Offering in accordance with Guidance Letter HKEx-GL91-18 issued by the Hong Kong Stock Exchange.

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives (for themselves and on behalf of the Underwriters) have the authority to reallocate any or all unsubscribed Offer Shares from the Hong Kong Public Offering to the International Offering, in such proportions as the Joint Representatives deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application 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 International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$20.40 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "Pricing of the Global Offering" below, is less than the maximum price of HK\$20.40 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus.

STRUCTURE OF THE GLOBAL OFFERING

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to reallocation as described above, the International Offering will consist of 119,139,200 Offer Shares, assuming the Over-allotment Option is not exercised, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance in Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the 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 Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the section headed “The Hong Kong Public Offering — Reallocation” above, the exercise of the Over-allotment Option in whole or in part described in the section entitled “Over-allotment Option”, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Joint Representatives (for themselves and on behalf of the Underwriters).

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Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Stabilizing Manager (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Stabilizing Manager have the right, exercisable at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 19,856,400 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.74% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option (assuming full conversion of the 2018 CB into our Shares based on the high end of the Offer Price range), and approximately 1.73% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option (assuming full conversion of the 2018 CB into our Shares based on the low end of the Offer Price range). In the event that the Over-allotment Option is exercised, a public announcement will be made.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Joint Representatives, their respective affiliates or any person acting for them may cover such over-allocation by (among other methods) using Shares purchased by the Stabilizing Manager, its respective affiliates or any person acting for it in the secondary market and/or exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 19,856,400 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

Stock Borrowing Agreement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 19,856,400 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from Vibrant Wide Limited pursuant to the Stock Borrowing Agreement.

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PRICING OF THE GLOBAL OFFERING

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Monday, January 28, 2019 and in any event on or before Thursday, January 31, 2019, by agreement between the Price Determination Banks (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

Offer Price range

The Offer Price will not be more than HK\$20.40 per Offer Share and is expected to be not less than HK\$14.80 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. 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.

The Price Determination Banks, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.maoyan.com) notices of the reduction.

Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Price Determination Banks (for themselves and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this document, and any other financial information which may change as a result of such reduction. In the

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absence of any such notice so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon with the Company and the Price Determination Banks (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this document.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Representatives may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives.

Announcement of Offer Price and basis of allocations

The final Offer Price, the indications of interest in the International Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Friday, February 1, 2019 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.maoyan.com).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed “Underwriting” in this prospectus.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, (i) our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the Shares which may be issued pursuant to the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme; and (iii) the Shares to be issued pursuant to the conversion of 2018 CB upon completion of the Global Offering;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;

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- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements 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 Hong Kong Underwriting Agreement or the International 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 and the Price Determination Banks (for themselves and on behalf of the Underwriters), on or around 5:00 p.m. on Thursday, January 31, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (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 section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Friday, February 1, 2019 but will only become valid certificates of title at 8:00 a.m. on Monday, February 4, 2019 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, (i) our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the Shares which may be issued pursuant to the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme; and (iii) the Shares to be issued pursuant to the conversion of 2018 CB upon completion of the Global Offering.

No part of the Company’s shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary

STRUCTURE OF THE GLOBAL OFFERING

market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

Following any over-allocation of Shares in connection with the Global Offering, the Joint Representatives, their respective affiliates or any person acting for them may cover such over-allocation by, among other methods, using Shares purchased by the stabilizing manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares that may be over-allotted will not be greater than the number of Shares which may be made available upon exercise of the Over-allotment Option, being 19,856,400 Shares, which is approximately 15% of our Offer Shares initially available under the Global Offering.

Morgan Stanley Asia Limited has been appointed by us as the stabilizing manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, Morgan Stanley Asia Limited, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allot or effect transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of our Shares;
- (ii) in connection with any action described in paragraph (i) above:
 - (A) (1) over-allocate our Shares; or
 - (2) sell or agree to sell our Shares so as to establish a short position in them, for the sole purpose of preventing or minimizing any reduction in the market price of our Shares;
 - (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (A) above;
 - (C) sell or agree to sell any of our Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or

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- (D) offer or attempt to do anything as described in paragraphs (ii)(A)(2), (ii)(B) or (C) above.

The Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, its affiliates or any person acting for it, which may include a decline in the market price of our Shares.

Stabilization cannot be used to support the price of our Shares for longer than the stabilization period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the earlier of the thirtieth day after (i) the last day for lodging of applications under the Hong Kong Public Offering or (ii) the commencement of trading of our Shares. The stabilization period is expected to expire on Wednesday, February 27, 2019, after which an announcement will be made pursuant to section 9 and schedule 3 of the Securities and Futures (Price Stabilizing) Rules made under the SFO. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore then market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. 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.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, February 4, 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, February 4, 2019. Our Shares will be traded in board lots of 200 Shares each and the stock code of the Shares will be 1896.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and not a U.S. person (within the meaning of Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If an application is made by a person under a power of attorney, our Company and the Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Wednesday, January 23, 2019 until 12:00 noon, Monday, January 28, 2019 from any of the following branches of the receiving banks:

(i) **Bank of China (Hong Kong) Limited**

District	Branch	Address
Hong Kong Island	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing, Hong Kong
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong
	North Point (King's Centre) Branch	193-209 King's Road, North Point, Hong Kong
Kowloon	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	City One Sha Tin Branch	Shop Nos.24-25, G/F, Fortune City One Plus, No.2 Ngan Shing Street, Sha Tin, New Territories
	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung, New Territories

(ii) **Standard Chartered Bank (Hong Kong) Limited**

District	Branch	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Kwun Tong Branch	G/F & 1/F One Pacific Centre, 414 Kwun Tong Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
New Territories	Tai Po Branch	G/F Shop No. 2, 23-25 Kwong Fuk Road, Tai Po Market, Tai Po
	Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F, Man Cheong Building, 239-247 & 247A Castle Peak Road, Yuen Long

HOW TO APPLY FOR HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., Wednesday, January 23, 2019 until 12:00 noon, Monday, January 28, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — MAOYAN ENTERTAINMENT PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Wednesday, January 23, 2019 — 9:00 a.m. to 5:00 p.m.

Thursday, January 24, 2019 — 9:00 a.m. to 5:00 p.m.

Friday, January 25, 2019 — 9:00 a.m. to 5:00 p.m.

Saturday, January 26, 2019 — 9:00 a.m. to 1:00 p.m.

Monday, January 28, 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, January 28, 2019, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully; otherwise, your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Representatives (or their agents or nominees), as agent of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any

HOW TO APPLY FOR HONG KONG OFFER SHARES

e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “14. Dispatch/Collection of Share Certificate and Refund Monies — Personal Collection” section in the prospectus to collect the share certificate(s) and/or refund cheque(s) in person;

- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Directors, and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “— 2. Who Can Apply” section above, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

HOW TO APPLY FOR HONG KONG OFFER SHARES

TIME FOR SUBMITTING APPLICATIONS UNDER THE WHITE FORM eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m., Wednesday, January 23, 2019 until 11:30 a.m., Monday, January 28, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Monday, January 28, 2019 or such later time under the “— 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, 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).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self- serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2.0 for each “Maoyan Entertainment” **White Form eIPO** application submitted via the website www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Representatives and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the term and conditions and application Procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Share Registrar, receiving banks, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their 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 our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may

HOW TO APPLY FOR HONG KONG OFFER SHARES

revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid 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

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 200 Hong Kong Offer Shares. Instructions for more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, January 23, 2019 — 9:00 a.m. to 8:30 p.m.

Thursday, January 24, 2019 — 8:00 a.m. to 8:30 p.m.

Friday, January 25, 2019 — 8:00 a.m. to 8:30 p.m.

Monday, January 28, 2019 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, January 23, 2019 until 12:00 noon on Monday, January 28, 2019 (24 hours daily, except on Monday, January 28, 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, January 28, 2019, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists” below.

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, January 28, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- (i) an account number; or
- (ii) 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- (i) the principal business of that company is dealing in securities; and
- (ii) 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:

- (i) control the composition of the board of directors of the company;
- (ii) control more than half of the voting power of the company; or
- (iii) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for 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 **White Form eIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

See “Structure of the Global Offering — Pricing of the Global Offering” in this prospectus for further details regarding the Offer Price.

HOW TO APPLY FOR HONG KONG OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (i) a tropical cyclone warning signal number 8 or above; or
- (ii) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, January 28, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, January 28, 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, February 1, 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company’s website at www.maoyan.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- (i) in the announcement to be posted on our Company’s website at www.maoyan.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Friday, February 1, 2019;
- (ii) from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <http://www.eipo.com.hk/en/Allotment>; Chinese <http://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, February 1, 2019 to 12:00 midnight on Thursday, February 7, 2019;
- (iii) by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, February 1, 2019 to Monday, February 4, 2019;
- (iv) in the special allocation results booklets which will be available for inspection during opening hours from Friday, February 1, 2019, Saturday, February 2, 2019 and Monday, February 4, 2019 at all the receiving banks’ designated branches.

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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 Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing 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) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- our Company or the Joint Representatives 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 6,618,800 Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$20.40 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global

HOW TO APPLY FOR HONG KONG OFFER SHARES

Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, February 1, 2019.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Friday, February 1, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Monday, February 4, 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, February 1, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

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 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, February 1, 2019, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, February 1, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Friday, February 1, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, February 1, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the White Form eIPO service*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, February 1, 2019, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, February 1, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via electronic application instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Friday, February 1, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Friday, February 1, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, February 1, 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, February 1, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, February 1, 2019.

HOW TO APPLY FOR HONG KONG OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report 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 Joint Sponsors 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 MAOYAN ENTERTAINMENT AND MORGAN STANLEY ASIA LIMITED AND MERRILL LYNCH FAR EAST LIMITED

Introduction

We report on the historical financial information of Maoyan Entertainment (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-124, which comprises the consolidated statements of financial position as at December 31, 2015, 2016 and 2017 and September 30, 2018, and the Company's statements of financial position as at December 31, 2017 and September 30, 2018, 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-124 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated January 23, 2019 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

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 December 31, 2017 and September 30, 2018 and the consolidated financial position of the Group as at December 31, 2015, 2016 and 2017 and September 30, 2018 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 statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the nine months ended September 30, 2017 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 International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International

Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the 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 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

January 23, 2019

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The 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 International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,			Nine months ended September 30,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	6	596,738	1,377,512	2,547,982	1,534,593	3,062,332
Cost of revenue	7	(298,184)	(489,886)	(805,954)	(469,056)	(1,099,951)
Gross profit		298,554	887,626	1,742,028	1,065,537	1,962,381
Selling and marketing expenses	7	(1,521,094)	(1,027,775)	(1,419,510)	(921,753)	(1,724,372)
General and administrative expenses	7	(76,294)	(332,284)	(381,270)	(262,616)	(341,307)
Other (losses)/gains, net	8	(2,005)	(22,297)	(7,276)	35,985	(38,297)
Operating loss		(1,300,839)	(494,730)	(66,028)	(82,847)	(141,595)
Finance income/(costs), net	10	29	(3,604)	(11,245)	(11,875)	(1,460)
Share of profits/(losses) of investments accounted for using the equity method	16	—	—	1,439	—	(2,184)
Loss before income tax		(1,300,810)	(498,334)	(75,834)	(94,722)	(145,239)
Income tax credits/(expenses)	11	3,378	(9,828)	(179)	(57,383)	1,296
Loss for the year/period		<u>(1,297,432)</u>	<u>(508,162)</u>	<u>(76,013)</u>	<u>(152,105)</u>	<u>(143,943)</u>
Loss attributable to:						
- Equity holders of the Company		(1,297,432)	(508,162)	(75,469)	(151,751)	(142,873)
- Non-controlling interests		—	—	(544)	(354)	(1,070)
		<u>(1,297,432)</u>	<u>(508,162)</u>	<u>(76,013)</u>	<u>(152,105)</u>	<u>(143,943)</u>
Loss per share attributable to equity holders of the Company (expressed in RMB per share)						
— Basic and diluted	12	<u>(6.76)</u>	<u>(2.65)</u>	<u>(0.39)</u>	<u>(0.79)</u>	<u>(0.74)</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Note	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Loss for the year/period	<u>(1,297,432)</u>	<u>(508,162)</u>	<u>(76,013)</u>	<u>(152,105)</u>	<u>(143,943)</u>
Other comprehensive (loss)/income:					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Currency translation differences	<u>—</u>	<u>—</u>	<u>(275)</u>	<u>—</u>	<u>528</u>
Total comprehensive loss for the year/period	<u>(1,297,432)</u>	<u>(508,162)</u>	<u>(76,288)</u>	<u>(152,105)</u>	<u>(143,415)</u>
Total comprehensive loss attributable to:					
- Equity holders of the Company	<u>(1,297,432)</u>	<u>(508,162)</u>	<u>(75,609)</u>	<u>(151,751)</u>	<u>(142,473)</u>
- Non-controlling interests	<u>—</u>	<u>—</u>	<u>(679)</u>	<u>(354)</u>	<u>(942)</u>
Total comprehensive loss for the year/period	<u>(1,297,432)</u>	<u>(508,162)</u>	<u>(76,288)</u>	<u>(152,105)</u>	<u>(143,415)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31,			As at
		2015	2016	2017	September 30,
		RMB'000	RMB'000	RMB'000	2018
				RMB'000	
ASSETS					
Non-current assets					
Property, plant and equipment	14	13,729	3,575	31,795	29,228
Intangible assets	15	—	—	5,608,223	5,423,931
Investments accounted for using the equity method	16	—	—	39,073	36,889
Financial assets at fair value through profit or loss	18	—	—	32,801	38,801
Deferred income tax assets	19	3,378	—	3,497	4,459
		<u>17,107</u>	<u>3,575</u>	<u>5,715,389</u>	<u>5,533,308</u>
Current assets					
Inventories	20	1,787	288	3,646	11,514
Accounts receivables	21	188,738	140,827	311,000	379,226
Prepayments, deposits and other receivables	22	356,779	321,009	875,487	1,679,014
Financial assets at fair value through profit or loss	18	—	—	963,139	293,427
Cash and cash equivalents	23	63,749	1,102,226	1,170,130	1,210,602
		<u>611,053</u>	<u>1,564,350</u>	<u>3,323,402</u>	<u>3,573,783</u>
Total assets		<u>628,160</u>	<u>1,567,925</u>	<u>9,038,791</u>	<u>9,107,091</u>
EQUITY					
Share capital	29	—	—	—	130
Reserves	30	77,348	274,344	5,838,285	6,094,373
Accumulated losses		(1,297,432)	(259,942)	(318,064)	(460,937)
Equity attributable to equity holders of the Company		<u>(1,220,084)</u>	<u>14,402</u>	<u>5,520,221</u>	<u>5,633,566</u>
Non-controlling interests		—	—	11,062	4,829
Total equity		<u>(1,220,084)</u>	<u>14,402</u>	<u>5,531,283</u>	<u>5,638,395</u>
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	19	—	4,150	221,776	201,119
Current liabilities					
Borrowings	24	—	—	—	500,000
Convertible bonds	25	—	381,862	—	—
Financial liabilities at fair value through profit or loss	26	—	—	—	353,086
Accounts payables	27	36,096	124,745	331,198	325,807
Other payables, accruals and other liabilities	28	1,812,148	1,034,683	2,932,551	2,061,474
Current income tax liabilities		—	8,083	21,983	27,210
		<u>1,848,244</u>	<u>1,549,373</u>	<u>3,285,732</u>	<u>3,267,577</u>
Total liabilities		<u>1,848,244</u>	<u>1,553,523</u>	<u>3,507,508</u>	<u>3,468,696</u>
Total equity and liabilities		<u>628,160</u>	<u>1,567,925</u>	<u>9,038,791</u>	<u>9,107,091</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at December 31, 2017 RMB'000	As at September 30, 2018 RMB'000
ASSETS		
Non-current asset		
Investment in a subsidiary	—	22,200,000
Current assets		
Prepayments, deposits and other receivables	—	13,738
Cash and cash equivalents	—	336,993
	—	350,731
Total assets	—	22,550,731
EQUITY		
Share capital	—	130
Reserves	—	22,199,994
Accumulated losses	—	(2,479)
Total equity	—	22,197,645
LIABILITIES		
Current liabilities		
Financial liabilities at fair value through profit or loss (Note 26)	—	353,086
Total liabilities	—	353,086
Total equity and liabilities	—	22,550,731

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital	Reserves	Accumulated losses	Total		
	Note	RMB'000	RMB'000	RMB'000		
As at January 1, 2015		—	—	—	—	—
Comprehensive loss						
Loss for the year		—	—	(1,297,432)	—	(1,297,432)
Transactions with equity holders of the Company						
Capital injection from equity holders		—	50,000	—	—	50,000
Share-based compensation expenses		—	27,348	—	—	27,348
Total transactions with equity holders of the Company		—	77,348	—	—	77,348
As at December 31, 2015		—	77,348	(1,297,432)	—	(1,220,084)
As at January 1, 2016		—	77,348	(1,297,432)	—	(1,220,084)
Comprehensive loss						
Loss for the year		—	—	(508,162)	—	(508,162)
Transactions with equity holders of the Company						
Capital injection from equity holders		—	5,556	—	—	5,556
Share-based compensation expenses		—	202,712	—	—	202,712
Contribution from equity holders		—	(28,619)	1,545,652	—	1,517,033
Convertible bonds-equity component, net of tax	25	—	17,347	—	—	17,347
Total transactions with equity holders of the Company		—	196,996	1,545,652	—	1,742,648
As at December 31, 2016		—	274,344	(259,942)	—	14,402

<u>Attributable to equity holders of the Company</u>						
Note	Share capital	Reserves	Accumulated losses	Total	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2017	—	274,344	(259,942)	14,402	—	14,402
Comprehensive loss						
Loss for the year	—	—	(75,469)	(75,469)	(544)	(76,013)
Other comprehensive loss						
- Currency translation differences	—	(140)	—	(140)	(135)	(275)
Total comprehensive loss	—	(140)	(75,469)	(75,609)	(679)	(76,288)
Transactions with equity holders of the Company						
Capital injection from equity holders	—	500,000	—	500,000	—	500,000
Professional service fee related to equity financing	—	(16,000)	—	(16,000)	—	(16,000)
Business combinations	32	4,667,820	—	4,667,820	7,170	4,674,990
Share-based compensation expenses	—	184,542	—	184,542	—	184,542
Contribution from equity holders	—	257,142	—	257,142	—	257,142
Non-controlling interests arising from business combinations	32	—	—	—	6,171	6,171
Transaction with non-controlling interests	32	(8,400)	—	(8,400)	(1,600)	(10,000)
Termination of conversion right of convertible bonds	25	(21,023)	17,347	(3,676)	—	(3,676)
Total transactions with equity holders of the Company		5,564,081	17,347	5,581,428	11,741	5,593,169
As at December 31, 2017		5,838,285	(318,064)	5,520,221	11,062	5,531,283
(Unaudited)						
As at January 1, 2017		274,344	(259,942)	14,402	—	14,402
Comprehensive loss						
Loss for the period	—	—	(151,751)	(151,751)	(354)	(152,105)
Transactions with equity holders of the Company						
Business combinations	32	4,667,820	—	4,667,820	7,170	4,674,990
Share-based compensation expenses	—	151,339	—	151,339	—	151,339
Contribution from equity holders	—	257,142	—	257,142	—	257,142
Non-controlling interests arising from business combinations	32	—	—	—	6,171	6,171
Termination of conversion right of convertible bonds	25	(21,023)	17,347	(3,676)	—	(3,676)
Total transactions with equity holders of the Company		5,055,278	17,347	5,072,625	13,341	5,085,966
As at September 30, 2017		5,329,622	(394,346)	4,935,276	12,987	4,948,263

<u>Attributable to equity holders of the Company</u>						
Note	Share capital	Reserves	Accumulated losses	Total	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2018	<u>—</u>	<u>5,838,285</u>	<u>(318,064)</u>	<u>5,520,221</u>	<u>11,062</u>	<u>5,531,283</u>
Comprehensive loss						
Loss for the year	—	—	(142,873)	(142,873)	(1,070)	(143,943)
Other comprehensive income						
- Currency translation differences	—	400	—	400	128	528
Total comprehensive loss	<u>—</u>	<u>400</u>	<u>(142,873)</u>	<u>(142,473)</u>	<u>(942)</u>	<u>(143,415)</u>
Transactions with equity holders of the Company						
Shares issued pursuant to the reorganization	29	130	—	—	130	—
Settlement of the purchase consideration for the acquisition of Beijing Weige Shidai	32	—	156,400	—	156,400	—
Share-based compensation expenses		—	99,288	—	99,288	—
Liquidation/Disposal of subsidiaries		—	—	—	(5,291)	(5,291)
Total transactions with equity holders of the Company		<u>130</u>	<u>255,688</u>	<u>—</u>	<u>255,818</u>	<u>(5,291)</u>
As at September 30, 2018		<u>130</u>	<u>6,094,373</u>	<u>(460,937)</u>	<u>5,633,566</u>	<u>4,829</u>
		<u>5,638,395</u>				

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Nine months ended September 30,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities						
Cash (used in)/generated from operations	33	(989,656)	64,733	1,082,932	676,661	(1,412,618)
Interest paid		—	—	—	—	(3,454)
Income tax paid		—	—	(8,876)	(8,875)	(17,459)
Net cash (used in)/generated from operating activities		<u>(989,656)</u>	<u>64,733</u>	<u>1,074,056</u>	<u>667,786</u>	<u>(1,433,531)</u>
Cash flows from investing activities						
Purchases of property, plant and equipment	14	(10,635)	(29,602)	(25,748)	(18,863)	(7,039)
Purchases of intangible assets	15	—	—	—	—	(1,896)
Payments for business combinations, net of cash acquired	32	—	—	(103,516)	(103,516)	—
Payments for financial assets at fair value through profit or loss	18	—	(3,450,000)	(10,755,000)	(7,350,000)	(3,140,200)
Proceeds from disposals of financial assets at fair value through profit or loss	18	—	3,454,322	9,827,563	6,667,573	3,784,155
Interest received	29	1,387	1,387	1,991	1,361	2,578
Payments for investments accounted for using the equity method	16	—	—	(25,334)	—	—
Disposal of subsidiaries		—	—	—	—	(12,495)
Net cash (used in)/generated from investing activities		<u>(10,606)</u>	<u>(23,893)</u>	<u>(1,080,044)</u>	<u>(803,445)</u>	<u>625,103</u>
Cash flows from financing activities						
Proceeds from issuance of convertible bonds	25	—	400,000	—	—	—
Repayment of convertible bonds	25	—	—	(400,000)	(400,000)	—
Proceeds from issuance of financial liabilities at fair value through profit or loss	26	—	—	—	—	350,011
Financing from equity holders		1,014,011	592,081	—	—	—
Proceeds from capital injection		50,000	5,556	500,000	—	131

	Note	Year ended December 31,			Nine months ended September 30,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Payment for professional service fee related to equity financing		—	—	(16,000)	—	—
Proceeds from short-term borrowings	24	—	—	—	—	500,000
Acquisition of additional equity interests in non-wholly owned subsidiaries		—	—	(10,000)	—	—
Liquidation of a subsidiary		—	—	—	—	(1,078)
Net cash generated from/(used in) financing activities		<u>1,064,011</u>	<u>997,637</u>	<u>74,000</u>	<u>(400,000)</u>	<u>849,064</u>
Net increase/(decrease) in cash and cash equivalents		63,749	1,038,477	68,012	(535,659)	40,636
Cash and cash equivalents at beginning of year/period		—	63,749	1,102,226	1,102,226	1,170,130
Exchange losses on cash and cash equivalents		—	—	(108)	(5)	(164)
Cash and cash equivalents at end of year/period		<u><u>63,749</u></u>	<u><u>1,102,226</u></u>	<u><u>1,170,130</u></u>	<u><u>566,562</u></u>	<u><u>1,210,602</u></u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 General information, reorganization and basis of presentation****1.1 General information**

Maoyan Entertainment (formerly known as Entertainment Plus and then Maoyan Entertainment Plus) (the “Company”) was incorporated in the Cayman Islands on December 8, 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “Group”), are principally engaged in the provision of online entertainment ticketing, entertainment content services, e-commerce services, advertising services and others (the “Listing Business”) to users in the People’s Republic of China (the “PRC”).

This Financial Information is presented in RMB, unless otherwise stated.

1.2 History and reorganization of the Group**History of the Group**

Prior to the incorporation of the Company and the completion of the spin-off arrangement as described below, part of the Listing Business related to local deal, ticketing and seat reservation services for movie theatre (the “Online Movie Ticketing Business” or the “Included Business”), was operated through a business unit of Meituan Dianping.

On May 27, 2015, Tianjin Maoyan Weying Cultural Media Co., Ltd. (“Tianjin Maoyan Weying”) was incorporated under the laws of the PRC by Mr. WANG Xing and Mr. MU Rongjun, who are also founders of Meituan Dianping. The initial funding for Tianjin Maoyan Weying’s incorporation was contributed by Meituan Dianping from its accumulated general working capital.

On April 20, 2016, Mr. WANG Xing and Mr. MU Rongjun transferred their respective equity interests in Tianjin Maoyan Weying to Shanghai Sankuai Technology Co., Ltd. (“Shanghai Sankuai Technology”) and Beijing Sankuai Technology Co., Ltd. (“Beijing Sankuai Technology”), both of which are directly owned by Mr. WANG Xing and Mr. MU Rongjun respectively. Shanghai Sankuai Technology and Beijing Sankuai Technology are operating entities controlled by Meituan Dianping under separate sets of contractual arrangements. Upon completion of the equity transfer, Shanghai Sankuai Technology and Beijing Sankuai Technology held 68% and 32% equity interests in Tianjin Maoyan Weying respectively. Their equity interest were further diluted upon increase in capital contributed by limited partnerships for employee incentive plan (the “ESOP Platforms”).

In April 2016, Meituan Dianping entered into a spin-off agreement with Tianjin Maoyan Weying, pursuant to which the Online Movie Ticketing Business, including relevant management and employees as well as operating assets and liabilities previously owned by Meituan Dianping were transferred to Tianjin Maoyan Weying (the “Spin-off”). The Spin-off was completed on July 31, 2016.

On May 27, 2016, Shanghai Enlight Investment Holding Co., Ltd. (“Enlight Investment”) and Beijing Enlight Media Co., Ltd. (“Enlight Media”, a company listed on Shenzhen Stock Exchange and controlled by Mr. WANG Changtian through Enlight Investment) entered into equity purchase agreement with Shanghai Sankuai Technology and Beijing Sankuai Technology, pursuant to which (i) Enlight Investment acquired a 28.8% equity interests in Tianjin Maoyan Weying from Beijing Sankuai for a consideration of 176,016,506 shares of Enlight Media owned by Enlight Investment, and acquired a 9.6% equity interests in Tianjin Maoyan Weying from Shanghai Sankuai Technology for a consideration of approximately RMB800 million; (ii) Enlight Media acquired a 19% equity interests in Tianjin Maoyan Weying from Shanghai Sankuai Technology at a consideration of RMB1,583 million. As a result, Enlight Media and Enlight Investment, collectively, held 57.40% equity interests in Tianjin Maoyan Weying. On August 25, 2017, Enlight Investment further acquired a 19.7% equity interests in Tianjin Maoyan Weying from Shanghai Sankuai Technology at a consideration of RMB1,776 million.

On September 20, 2017, Enlight Investment transferred 11.1% equity interests it held in Tianjin Maoyan Weying to Enlight Media at the consideration of RMB999,900,000, after which, Tianjin Maoyan Weying were held by Enlight Investment, Enlight Media, Shanghai Sankuai Technology and ESOP Platforms as to 47.0%, 30.1%, 12.9% and 10.0%, respectively.

On September 21, 2017, Linzhi Lixin Technology Co., Ltd. (“Linzhi Lixin”), an entity designated by Tencent Holdings Ltd (“Tencent”) to hold interest in the Company and Beijing Weying Shidai Technology Co., Ltd (“Beijing Weying Shidai”) entered into a capital increase agreement with Tianjin Maoyan Weying, pursuant to which, Linzhi Lixin and Beijing Weying Shidai agreed to subscribe for 6.6% and 27.6% equity interests of Tianjin Maoyan Weying, respectively (“Tencent and Beijing Weying Transaction”). As such, Linzhi Lixin and Beijing Weying Shidai transferred the entire equity interest of their respective wholly-owned subsidiaries Shenzhen Ruihai Fangyuan Technology Co., Ltd. (“Ruihai Fangyuan”), and Beijing Weige Shidai Entertainment Technology Co., Ltd (“Beijing Weige Shidai”) to Tianjin Maoyan Weying as the consideration of Tencent and Beijing Weying Transaction. The Tencent and Beijing Weying Transaction was completed at September 25, 2017.

On October 25, 2017, Linzhi Lixin entered into an equity purchase agreement with Enlight Investment to acquire a 2.5% equity interests in Tianjin Maoyan Weying at a consideration of RMB500 million. On the same date, Linzhi Lixin and Tianjin Maoyan Weying entered into a capital increase agreement, pursuant to which, Linzhi Lixin agreed to subscribe for an additional 2.4% equity interests of Tianjin Maoyan Weying at consideration of RMB500 million. Upon completion of the equity purchase agreement and capital increase agreement, Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Linzhi Lixin, Beijing Weying Shidai and ESOP Platforms (the “Registered Shareholders”) held 27.80%, 19.35%, 8.27%, 11.23%, 26.92% and 6.43% of the equity interest of Tianjin Maoyan Weying respectively.

Reorganization

Immediately prior to the Reorganization (as defined below) and during the Track Record Period, the Listing Business was primarily operated by Tianjin Maoyan Weying and its subsidiaries mainly comprising of Beijing Maoyan Cultural Media Co., Ltd. (“Beijing Maoyan”), Tianjin Maoyan Pictures Co., Ltd. (“Maoyan Pictures”), Beijing Weige Shidai, Tianjin Maoyan Enterprise Management & Consulting Co., Ltd. (“Maoyan Enterprise”), Ruihai Fangyuan, and Tianjin Maoyan Live Technology Co., Ltd. (“Maoyan Live JV”) (collectively, the “Operating Entities”) and controlled by the Registered Shareholders.

In preparation for the initial public offering and listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Group underwent a reorganization (the “Reorganization”) of the corporate structure of the companies now comprising the Group.

The steps of the Reorganization mainly involved the following:

On December 8, 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. Upon incorporation, the Company issued one ordinary share with a par value of U.S.\$0.0001 to the initial subscriber and subsequently transferred such share to Vibrant Wide Limited (“Vibrant Wide”), a company incorporated in British Virgin Islands (“BVI”) and wholly-owned by Mr. WANG Changtian.

On December 12, 2017, Maoyan Entertainment (BVI) Ltd. (“Maoyan Entertainment BVI”) was incorporated in the British Virgin Islands as a limited liability company and a direct wholly-owned subsidiary of the Company.

On January 4, 2018, Maoyan Entertainment (HK) Limited (“Maoyan Entertainment HK”) was incorporated in Hong Kong as a direct wholly-owned subsidiary of Maoyan Entertainment BVI.

On February 5, 2018, Maoyan Entertainment HK established Tianjin Maoyan Weying Technology Co., Ltd. (the “WFOE”) under the laws of PRC as its wholly-owned foreign enterprise in the PRC.

On July 20, 2018, the Company, Tianjin Maoyan Weying and offshore investment vehicles of Tianjin Maoyan Weying’s shareholders (namely Vibrant Wide, Hong Kong Pictures International Limited, a company wholly-owned by Enlight Media, Rhythm Brilliant Limited, a company wholly-owned by Mr. ZHENG Zhihao, Inspired Elite Investments Limited, a company wholly-owned by Meituan Dianping, Weying (BVI) Limited, a company wholly-owned by Beijing Weying Shidai, and Image Flag Investment (HK) Limited, a company wholly-owned by Tencent, (collectively, the “Offshore Shareholders”) and the Registered Shareholders entered into a share purchase agreement, pursuant to which, the Offshore Shareholders agreed to subscribe certain number of shares of the Company to substantially reflect the rights, obligations and shareholdings in Tianjin Maoyan Weying held by the respective Registered Shareholders.

Pursuant to a series of contractual agreements dated July 20, 2018 (collectively, the “Contractual Arrangements”) between the WFOE, the Operating Entities and the Registered Shareholders, the WFOE is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Operating Entities to the extent permitted by the PRC laws and regulations. Accordingly, the Operating Entities are treated as controlled structured entities of the Company and consolidated by the Company. Further details of the Contractual Arrangements are set out in Note 2.2.1 below.

Upon completion for the Reorganization, the Company became the ultimate holding company of the companies now comprising the Group.

Particulars of the principal subsidiaries of the Group as at the date of this report and as at December 31, 2015, 2016 and 2017 and as at September 30, 2018 are set out below:

Company name	Place of establishment/ incorporation	Date of establishment/ incorporation	Particulars of registered capital/issued capital	Percentage of attributable equity interest					Principal activities
				As at December 31,		As at September 30,		As at the date of this report	
				2015	2016	2017	2018		
Maoyan Entertainment BVI (Note 9)	BVI	December 12, 2017	United States Dollar ("USD") 50,000	N/A	N/A	100.00%	100.00%	100.00%	Investment holding
Maoyan Entertainment HK (Note 9)	Hong Kong	January 4, 2018	Hong Kong Dollar ("HKD") 10,000	N/A	N/A	100.00%	100.00%	100.00%	Investment holding
Tianjin Maoyan Weying (天津貓眼微影文化傳媒有限公司) (Note 4)	PRC	May 27, 2015	RMB86,457,811	100.00%	100.00%	100.00%	100.00%	100.00%	Movie ticketing services, Film investment and distribution
Beijing Maoyan (北京貓眼文化傳媒有限公司) (Note 5)	PRC	November 12, 2015	RMB10,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Movie ticketing services, Film investment and distribution
Xinjiang Maoyan Network Technology Co. Ltd. (新疆貓眼網絡科技有限公司) (Note 6)	PRC	November 10, 2016	RMB10,000,000	N/A	100.00%	100.00%	100.00%	100.00%	Movie ticketing services, Film investment and distribution
Maoyan Pictures (天津貓眼影業有限公司) (Note 9)	PRC	June 8, 2015	RMB50,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Movie ticketing services, Film investment and distribution
Maoyan Enterprise (天津貓眼企業管理諮詢有限公司) (Note 9)	PRC	March 1, 2017	RMB1,000,000	N/A	N/A	100.00%	100.00%	100.00%	Movie ticketing services, Film investment and distribution
Beijing Jietong Wuxian Technology Co., Ltd. ("Jietong Wuxian") (北京捷通無限科技有限公司) (Note 8)	PRC	November 18, 2005	RMB30,000,000	N/A	N/A	76.60%	N/A	N/A	Movie ticketing services, Film investment and distribution
Beijing Weige Shidai (北京微格時代娛樂科技有限公司) (Note 7, 9)	PRC	March 9, 2016	RMB5,000,000	N/A	N/A	100.00%	100.00%	100.00%	Movie ticketing services, Performance ticketing services
Ruihai Fangyuan (深圳市瑞海方圓科技有限公司) (Note 9)	PRC	July 13, 2017	RMB200,000,000	N/A	N/A	100.00%	100.00%	100.00%	Online movie ticketing services

Company name	Place of establishment/ incorporation	Date of establishment/ incorporation	Particulars of registered capital/issued capital	Percentage of attributable equity interest					Principal activities
				As at December 31,		As at September 30,		As at the date of this report	
				2015	2016	2017	2018		
Xinjiang Weying Network Technology Co., Ltd. ("Xinjiang Weying") (新疆微影網絡科技有限公司) (Note 9, 10)	PRC	December 11, 2015	RMB5,000,000	N/A	N/A	51.00%	30.00%	30.00%	Movie ticketing services, Performance ticketing services
Beijing Zetian Yinghe Technology Co., Ltd. (北京澤天影合科技有限公司) (Note 9)	PRC	July 26, 2017	RMB1,000,000	N/A	N/A	100.00%	100.00%	100.00%	Film investment and distribution
Weying MTeI Limited (香港微影八達有限公司) (Note 9)	PRC	March 15, 2016	HKD1,000,000	N/A	N/A	67.00%	67.00%	67.00%	Movie ticketing services, Performance ticketing services
Xinjiang Maoyan Live Technology Co., Ltd. (新疆貓眼現場網絡科技有限公司) (Note 9)	PRC	December 21, 2017	RMB10,000,000	N/A	N/A	100.00%	100.00%	100.00%	Movie ticketing services, Performance ticketing services
Tianjin Maoyan Weying Technology Co., Ltd. (天津貓眼微影科技有限公司) (Note 9)	PRC	February 5, 2018	USD2,100,000	N/A	N/A	N/A	100.00%	100.00%	Computer technology research, development, advisory; Ticket agency; Film project technology advisory etc.
Xinjiang Meimao Network Technology Co., Ltd. (新疆美貓網絡科技有限公司) (Note 1, 9)	PRC	March 26, 2018	RMB5,000,000	N/A	N/A	N/A	N/A	N/A	Computer technology research, development, advisory etc.
Maoyan Live JV (天津貓眼現場科技有限公司) (Note 9)	PRC	June 19, 2018	RMB1,000,000	N/A	N/A	N/A	100.00%	100.00%	Computer technology research, development, advisory etc.
Shanghai Gexin Network Technology Co., Ltd. (上海格新網絡科技有限公司) (Note 2, 9)	PRC	October 23, 2014	RMB1,000,000	N/A	N/A	100.00%	N/A	N/A	Network technology service, development, advisory; Ticket agency; e-Business etc.

Company name	Place of establishment/ incorporation	Date of establishment/ incorporation	Particulars of registered capital/issued capital	Percentage of attributable equity interest				Principal activities
				As at December 31,		As at September 30,		
				2015	2016	2017	2018	
Malaysia Weying SDN.BHD. (馬來西亞 微影有限公司) (Note 3, 9)	Malaysia	July 11, 2016	Malaysian Ringgit ("MYR") 400,000	N/A	N/A	100.00%	100.00%	Entertainment, online ticketing for movies, films, entertainment and sports events, broadcasting etc.
Tianjin Meimao Cultural Media Co., Ltd. (天津美貓文化傳媒有限公司) (Note 9)	PRC	November 22, 2018	RMB5,000,000	N/A	N/A	N/A	100.00%	Film investment and distribution

Note 1: Xinjiang Meimao Network Technology Co., Ltd. did not carry out any business and was disposed to individual shareholder LIU Wanjun on July 4, 2018.

Note 2: Shanghai Gexin Network Technology Co., Ltd. did not carry out any business and was liquidated in July 2018.

Note 3: Malaysia Weying SDN.BHD. did not carry out any business and was transferred to individual shareholder LIU Mengmeng in August 2018.

Note 4: The statutory financial statements of Tianjin Maoyan Weying for the years ended December 31, 2015, 2016 and 2017 were audited by ShineWing Certified Public Accountants, Beijing Xinghua Certified Public Accountants and ShineWing Certified Public Accountants respectively.

Note 5: The statutory financial statements of Beijing Maoyan for the years ended December 31, 2015, 2016 and 2017 were audited by ShineWing Certified Public Accountants, Beijing Xinghua Certified Public Accountants and ShineWing Certified Public Accountants respectively.

Note 6: The statutory financial statements of Xinjiang Maoyan Network Technology Co. Ltd. for the years ended December 31, 2016 and 2017 were audited by Beijing Xinghua Certified Public Accountants and ShineWing Certified Public Accountant respectively.

Note 7: The statutory financial statement of Beijing Weige Shidai for the year ended December 31, 2016 was audited by BDO China Shu Lun Pan CPAs LLP.

Note 8: The statutory financial statements of Jietong Wuxian for the years ended December 31, 2015, 2016 and 2017 were audited by Beijing Xinghua Certified Public Accountants, Beijing Jinrui Yongda Certified Public Accountants, and Beijing Jinrui Yongda Certified Public Accountants respectively. As at August 10, 2018, the Group disposed 76.60% equity interest in Jietong Wuxian to JIANG Chunyang, an individual minority shareholder of Jietong Wuxian, for consideration of RMB22,000,000 (Note 15).

Note 9: No statutory audit was required.

Note 10: The Group disposed 21% equity interest of Xinjiang Weying to an individual shareholder MI Guoyong, an individual shareholder, in August 2018 (Note 16).

1.3 Basis of presentation

Immediately prior to the Reorganization, the Listing Business has been conducted through the Operating Entities and controlled by the Registered Shareholders. Pursuant to the Reorganization, both the Operating Entities and the Listing Business are under the effective control of the WFOE and ultimately the Company through the Contractual Arrangement. The Company and the newly incorporated companies have not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain substantially the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business conducted through the Company and the Historical Financial information of the companies now comprising the Group have been prepared on a consolidated basis and is presenting using the respective carrying value of the Listing Business for all periods presented.

The Historical Financial Information of the Included Business for the Track Record Period was included in the Historical Financial Information in the following manner.

Transactions and balances of Meituan Dianping specifically identified as relating to the Included Business were consolidated in the Historical Financial Information, while those specifically identified as relating to the other Meituan Dianping's business were not included in the financial information.

The tax charge attributable to the Meituan Dianping is based on the tax charge attributable to the individual entity in the relevant individual tax jurisdictions, on a separate return basis. Pursuant to the Spin-off, tax losses of the Meituan Dianping were not allocated among the Included Business and other Meituan Dianping business. Deferred tax assets recognized in the consolidated statements of financial position comprise allocated tax losses together with tax losses and temporary differences identified at the subsidiaries' level comprising the Included Business.

Selling and marketing expenses were allocated based on the proportion of the segment revenue. The allocation of expenses of other supporting functions, including property costs and utilities, was determined based on headcounts of the respective business units.

Inter-company transactions, balances and unrealised gains/losses on transactions between the companies now comprising the Group are eliminated on consolidation.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

Application of IFRS 9 and IFRS 15

IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules of hedge accounting and a new impairment model for financial assets. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

IFRS 15, "Revenue from contracts with customers" replaces the previous revenue standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

The Group has elected to apply IFRS 9 and IFRS 15 consistently throughout the Track Record Period.

New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective on January 1, 2018 and not been early adopted by the Group as of the Track Record Period, are as follows:

		<u>Effective for annual periods beginning on or after</u>
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	January 1, 2019
Amendments to IFRS	Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	January 1, 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IFRS 3 (Amendments)	Definition of a Business	January 1, 2020
IAS 1 and IAS 8 (Amendments)	Definition of Material	January 1, 2020

None of these amendments and interpretations is expected to have a significant effect on the Historical Financial Information of the Group, except for the following as set out below:

IFRS 16, “Leases” addresses the definition of a lease, recognition and measurement of leases. The standard replaces IAS 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 2.25. The Group had total future minimum lease payments under non-cancellable operating leases, which were not reflected in the consolidated statements of financial position amounted to RMB51,547,000 as at September 30, 2018 as set out in Note 34. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognize certain leases outside of the consolidated statements of financial position. Instead, all operating leases must be recognized 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 the Group’s consolidated statements of financial position. 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 statements of financial position. This will affect related ratios, such as increase in debt to capital ratio. In the consolidated statements of comprehensive income, leases will be recognized in the future as depreciation and amortization 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 amortization under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortization 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 2019, including the adjustment of prior years. Based on the preliminary assessment, management expects IFRS 16 will have impact on the financial position as mentioned above but no significant impact on the financial performance of the Group.

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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group’s accounting policies.

(a) *Subsidiaries controlled through Contractual Arrangements*

As described in Note 1.2, the WFOE, has entered into the Contractual Arrangements with Tianjin Maoyan Weying and its Registered Shareholders, which enable the WFOE and the Group to:

- Exercise effective control over the Operating Entities;
- Exercise equity holders' voting rights of the Operating Entities;
- Receive substantially all of the economic interests and returns generated by the Operating Entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;
- Obtain an irrevocable and exclusive right to purchase all equity interests in Tianjin Maoyan Weying from its Registered Shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the Registered Shareholders of Tianjin Maoyan Weying shall return the amount of purchase consideration they have received to the WFOE. At the WFOE's request, the Registered Shareholders of Tianjin Maoyan Weying will promptly and unconditionally transfer their respective equity interests of Tianjin Maoyan Weying to the WFOE (or its designee within the Group) after the WFOE exercises its purchase right.
- Obtain pledges over the entire equity interests in Tianjin Maoyan Weying from its Registered Shareholders to secure, among others, performance of their obligations under the Contractual Arrangement.

The Group does not have any equity interest in the Operating Entities. However, as a result of the Contractual Arrangement, the Group has rights to variable returns from its involvement with the Operating Entities and has the ability to affect those returns through its power over the Operating Entities and is considered to control the Operating Entities. Consequently, the Company regards the Operating Entities as controlled structure entities and consolidated the financial position and results of operations of these entities in the Historical Financial Information of the Group during the Track Record Period.

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The Directors of the Group, based on the advice of its legal counsel, consider that the use of Contractual Arrangements does not constitute a breach of relevant laws and regulations.

(b) *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 recognized in the consolidated statements of comprehensive income. The fair value is the initial carrying amount for the

purpose of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognized 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. It means that amounts previously recognized in other comprehensive income are reclassified to the consolidated statements of comprehensive income or transferred to another category of equity as specified/permitted by applicable IFRSs.

(c) *Business Combinations*

Except for the Reorganization, the acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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 recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

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 remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

(d) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in 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 value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.2.3 *Joint arrangements*

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its certain investments in movie production and determined them to be joint operations. The Group recognizes its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenue and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the revenue recognition related to investments in movie production classified as joint operation are set out in Note 2.22.1(b) (ii).

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates

Investments in associates are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee and the share of other comprehensive income of the investee after the date of acquisition. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to consolidated statement of comprehensive income where appropriate.

The Group's share of the associates' post-acquisition profit or loss is recognized in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profits/(losses) of investments accounted for using the equity method" in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the consolidated statement of comprehensive income.

2.4 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is USD. The Company's primary subsidiary were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its Historical Financial Information in RMB (unless otherwise stated).

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income, within finance costs.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the consolidated statement of financial position as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income ("FVOCI"), are included in other comprehensive income.

(iii) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency of RMB are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting currency translation differences are recognized as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Computer equipment	3 years
Office equipment	3-5 years
Leasehold improvements	the shorter of their useful lives and the lease terms

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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "Other (losses)/gains, net" in the consolidated statement of comprehensive income.

2.6 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(ii) *Trademarks*

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognized at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 10 years. The Group determined the acquired trademark (Note 32) to have a useful life of 10 years based on the brand awareness of acquiree and the best estimate of the Group.

(iii) *Software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line method over their estimated useful lives of 3-10 years. Considering this acquired software licenses are well-developed off the shelf software, there is no contractual term of these software license, and the Group can use the software as long as it can meet the Group's business needs. Based on the current functionalities equipped by this software and the daily operation needs, the Group considers a useful life of 3-10 years is the best estimation under current business needs.

(iv) *Business cooperation agreement*

Business cooperation agreement represents platform agreement with Tencent. It has a finite life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over its estimated useful life of 5 years.

(v) *Contractual customer relationship*

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of 10-15 years. The Group determined the acquired contractual customer relationship (Note 32) to have a useful life of 10 to 15 years based on the rule-of-thumb approach, considering the increase rate of revenue from these customers and customer churn rate, to determine the estimated benefit period of the contractual customer relationship.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying

amount may not be recoverable. An impairment loss is recognized 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 (CGU). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

See Note 17 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other (losses)/gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other (losses)/gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains, net" and impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within “other (losses)/gains, net” in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in “other (losses)/gains, net” in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.9.3 Impairment

The Group has types of financial assets subject to IFRS 9’s new expected credit loss model:

- Accounts receivables;
- Other receivables;
- Cash and cash equivalents.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. To manage risk arising from cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

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 recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Impairment testing of accounts receivables is described in Note 21.

2.9.4 *Derecognition*

Financial assets

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows (“pass through” requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

Other financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

2.9.5 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.10 Inventories

Inventories consist primarily of side-line merchandise for sale, and are stated at the lower of cost, using the weighted average method, or net realisable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Accounts receivables

Accounts receivables are amounts due from customers for services performed or inventories sold in the ordinary course of business. If collection of trade and notes 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. Otherwise, they are presented as non-current assets.

Accounts receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2.9.3 for a description of the Group's impairment policy for accounts receivables.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Preferred shares are classified as equity if, and only if they represent the residual interest in the assets of the Company after deducting all its liabilities (i.e., no contractual obligation to deliver cash, another financial asset or a variable number of the Company's own equity instruments).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Accounts payables

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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.

Accounts payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

2.17 Convertible bonds

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to ordinary shares of the Company at the option of the holders, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instruments a whole and the fair value of the liability component, which is included in shareholders' equity in reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The liability component of a convertible instrument is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.18 Financial liabilities at fair value through profit or loss

During the Track Record Period, the Group issued a convertible bond to an investor. Upon the Company lists on the Main Board of the Hong Kong Stock Exchange ("Listing"), the principal amount and the accrued but unpaid interest of the convertible bond shall be mandatorily and automatically converted into the Company's shares at the initial public offering price per share in connection with the Listing.

Pursuant to IFRS 9, the convertible bond is accounted for in their entirety as financial liabilities through profit and loss, with fair value changes reflected in FVPL within the consolidated statements of comprehensive income, except for the portion attributable to credit risk change that should be

charged to other comprehensive income. Accordingly, the embedded conversion features do not require future evaluation, bifurcation, and separate accounting as the change in fair value of embedded features is reflected in the change in fair value in the compound instrument under such “whole instrument” approach. Issue costs that are directly attributable to the issue of the instruments, designated as financial liabilities at fair value through profit or loss, are recognized immediately in the consolidated statements of comprehensive income.

The instrument are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized 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 end of each reporting period in the countries where the Company's subsidiaries and associates 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 recognized, 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 recognized 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 end of each reporting period 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 recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference 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.

2.20 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognized 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 end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

(b) *Pension obligations*

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(c) *Share-based benefits of the Group*

The Group operates several equity-settled share-based compensation plans (including share option scheme and share award scheme), under which the Group receives service from its employees in exchange for the equity instruments of the Group. As disclosed in Note 31, during the Track Record Period, Tianjin Maoyan Weying granted equity-settled share options to certain employees (“2016 ESOP”), which is subsequently terminated as a result of the adoption of the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, RSU Scheme and Restricted Share Agreement (collectively, the “ESOP Plan”) of the Company. The fair value of the employee service received in exchange for the grant of share options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions (e.g., the entity’s share price);
- Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.21 Provisions

Provisions are recognized 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 recognized for further 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 recognized 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 recognized as interest expense.

2.22 Revenue recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group use the output methods to measure the progress towards, recognizing revenue based on direct measurements of the value transferred to the customer. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost

plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract assets or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

2.22.1 *The accounting policy for the Group's revenue sources*

The Group principally derives revenue from movie services, merchandising and membership business, advertising business and other entertainment services.

(a) *Online entertainment ticketing service*

Online entertainment ticketing service consist primarily of online movie ticketing as well as entertainment event ticketing service.

(i) *Online movie ticketing*

The Group provides an e-commerce platform that enables cinemas to sell their movie tickets to users through the platform. Users can select cinemas, movies, order the seats and pay for the tickets through the Group's platform. The Group identifies cinemas as the customers for the online movie ticking services.

Revenue from online movie ticking services is recognized on a net basis as the Group is not regarded as the primary obligor and not responsible for film shown and hasn't the ability to determine the pricing of the tickets. The Group only receives commission fee from the cinemas.

The payments from users are cancellable and refundable before the films are shown. The Group initially recorded the payments from the users as other payables and recognizes commission revenue when the films are shown.

The Group offers ticket refund and exchange services on the platform for some cinemas and receive extra service fee from cinemas. The payments arising from ticket refund and exchange are non-refundable. Revenue is recognized when the cinemas complete the ticket refund and exchange for users.

(ii) Online entertainment event ticketing

The Group offers ticketing services for entertainment events, such as concerts, live performances, exhibitions and sports events on its platform. Subject to the capabilities of the theaters and other venues, the Group provides online seat area selection for certain entertainment events.

The Group works with event promoters including theaters and other venues. Tickets are sold on the Group's platform at the face value determined by the event promoters. The Group provides the event promoters with convenient and stable ticketing system and managerial assistance through the system.

The Group identifies theaters and other venues as the customers for online entertainment event ticketing services.

Ticket refund and exchange, as well as the extra service fee, are subject to the terms and conditions made by the event promoters. If events are cancelled or postponed, the event promoters will refund the value of the ticket prices to our users through the Group, and the event promoters are responsible for any expenses, liability claims, disputes and litigation resulting from such cancellation.

Revenue is recognized on a net basis as the Group is not regarded as the primary obligor and not responsible for the event and does not take inventory risk. The Group only receives commission fee from the theaters and other venues.

The Group initially recorded the payments from the users as other payables and recognizes commission revenue when the events are started.

(b) *Entertainment content services*

The Group operates an integrated platform to provide entertainment content services, including distribution, promotion to production, for various entertainment formats including movies, entertainment events, TV series, web series, web movies and variety shows.

(i) Movie distribution and promotion services

The Group offers movie distribution and promotion services for content producers which are identified as customers for the Group. Movie distribution and promotion carried out by the Group include tailored audience incentive programs, promotion campaign in cooperation with movie fans club, movie presale and test screenings.

Since the Group normally has the ability to determine the pricing of the services and has take responsibility for monitoring the quality of services provided and to negotiate the service terms, the Group is regarded as the primary obligor and recognizes revenue from movie distribution and promotion services on a gross basis.

Revenue from distribution and promotion is generated from the following sources: (i) a fixed-amount distribution cost as payment for the Group's distribution and promotion expenses, which is normally deducted from box office proceeds prior to payments to movie producers; and (ii) a distribution fee which can be either a fixed amount from or a percentage of the movie, after deducting all necessary costs and expenses for production and distribution.

Revenue from distribution and promotion is recognized over the movie schedule according to the process of box office revenue. The Group uses the output methods to measure the progress towards, recognizing revenue based on direct measurements of the value transferred to the producers. Accounts receivable is recorded when revenue is recognized due to the Group has an unconditional right to consideration.

(ii) Movies production/investment

As a co-producer, the Group provides market-oriented advice to the production crew on the shooting and edition processes, leveraging the Group's big data analytical capabilities and extensive experience of movie distribution and promotion, and makes capital investment in the production.

When the Group involves and participates in the determination of idea origination, production crew, cast selection, shooting, post-production with other co-producers and determine distribution and promotion plan as distributor for the movies, and when the key relevant activities of the movie production are discussed and jointly determined by the Company and other producers, the arrangement is considered in substance as a joint operation. As a result, the Company shall recognize the share of revenue and cost of the movies based on our own interest percentage on the relevant movies according to the accounting policy disclosed in Note 2.2.3 Joint arrangements. Therefore, revenue from this type of movie production/investment arising from the revenue share of the movie, based on the interest percentage owned by the Group, is recognized over the movie screening period according to the box office (on a gross basis), and the relevant investment cost of such movies (also representing the cost of the movies shared to the Group) is recognized and presented as cost of revenue in the same pattern of the aforesaid revenue recognition.

When the Group is not involved in the determination of idea origination, production crew and cast selection, shooting and post-production but only participates in the distribution and promotion. The Group is not considered to be involved in the movie production process and the main purpose of the investment in the movies is to obtain the distribution right of the movies from the movie production companies and to earn the distribution fee. Given that distribution services are provided by the Group to the producers/movie production companies, and the investment in the relevant movie made by the Group is also paid to the same producer/movie production company, such investment cost is considered as in substance a consideration payable to a customer of the Group, and as a result, such

investment cost shall be accounted for as a reduction of revenue. Therefore, revenue from this type of investment in movie projects arising from the revenue share of the movie, based on the interest percentage owned by the Group, is recognized over the movie screening period according to the box office, after the reduction of the Group's investment cost (on a net basis).

Accounts receivables are recorded when revenue recognized due to the Group has an unconditional right to consideration.

(c) *E-commerce services*

The Group's platform offers online ordering of in-cinema food and beverage, sale of IP-centric movie merchandise and movie ticket membership subscriptions for the cinemas. Users can order the food, beverage and others and pay for it through the Group's platform in advance.

The varieties and price of food, beverage and other items are determined by the individual cinemas. The Group also acts as agent in the transaction and only earns pre-agreed commission revenue from cinemas. Revenue from e-commerce services is recognized on a net basis as the Group is not regarded as the primary obligor.

The payments from users are cancellable and refundable before the users enjoy the goods or services. The Group initially recorded the payments from the users as other payables. And recognizes commission revenue when the users enjoy the goods and services.

(d) *Advertising services and others*

The Group provides advertising services to advertisers in both the movie industry and other industries. During the Track Record Period, the Group provides advertising services to advertisers as well as advertising agencies.

The Group also provides other advertising services, including advertisements incorporated into the entertainment content in the form of news feeds and articles published through the official accounts across several social media platform, as well as various offline marketing resources such as cinemas, movie roadshows, and cross-industry advertisement cooperation.

Advertising revenue mainly comprise revenue derived from displaying advertisements on its platform. The Group recognizes the revenue on a straight-line basis over the contracted period with customers in which the advertisements are displayed.

Since the Group has the ability to determine the pricing of the advertising services and to take responsibility for monitoring the quality of advertising services provided and to negotiate the service terms, the Group is regarded as the primary obligor and recognizes revenue from advertising on a gross basis.

Advertisers usually pay the advertisement after the display is completed. The Group records accounts receivables when the revenue recognized since the Group has unconditional rights to payments of advertising services which are due according to the contract terms.

- (e) The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of 1 year or less.

2.23 Interest income

Interest income is recognized on a time proportion basis, taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

2.24 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.26 Research and development expenses

Research expenditure is recognized as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives.

2.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (“CODM”), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.28 Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the Group’s and the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and price risk), credit risk and liquidity 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 the senior management of the Group.

(a) *Market risk*

(i) *Foreign exchange risk*

The Group’s businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign operations. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2017 and 2018.

The following table shows the Group's foreign currency denominated monetary assets and liabilities (in RMB equivalent):

Currency denomination	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Cash and cash equivalents	—	—	1,440	341,597
USD	—	—	—	340,944
HKD	—	—	1,440	653
Accounts receivables	—	—	220	144
Other receivables	—	—	—	646
	—	—	1,660	342,387
Accounts payables	—	—	1	4
Other payables	—	—	214	461
Financial liabilities at fair value through profit or loss	—	—	—	353,086
USD	—	—	215	353,551

The Group may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with monetary assets shown above. The Group has not used any means to hedge the exposure.

As at September 30, 2018, if RMB had weakened/strengthened by 5% against the USD with all other variables held constant, loss for the nine months ended September 30, 2018 would have been RMB607,000 higher/lower, mainly as a result of foreign exchange losses/gains on translation of USD-denominated cash in banks and financial liabilities. The impact of exchange fluctuations of HKD is not significant as at December 31, 2017 and September 30, 2018.

(ii) *Fair value interest rate risk*

The Group's interest rate risk arises from interest-bearing bank deposits and bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. Bank borrowings at fixed rates expose the Group to fair value interest rate risk.

Other than interest-bearing bank deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly. As at September 30, 2018 the Group's interest-bearing borrowings at fixed rates were as follows:

	As at December 31,			As at
				September 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings at fixed rate	—	—	—	500,000

If the fixed interest rate on borrowings had been higher/lower by 50 basis points with all other variables held constant, the fair value of the borrowings would have changed mainly as a result of higher/lower interest expenses of RMB2,500,000 on fixed rate borrowings.

(iii) *Price risk*

The Group is exposed to price risk in respect of the long-term investments and short-term investments measured at fair value through profit or loss held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investments managed by senior management on a case by case basis.

(b) *Credit risk*

The Group is exposed to credit risk primarily in relation to its cash and equivalents placed with banks and financial institutions, investment in wealth management products, as well as accounts receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage risk arising from cash and cash equivalents and investment in wealth management products, the Group only transacts with state-owned or reputable financial institutions in mainland China. There has been no recent history of default in relation to these financial institutions.

The Group has large number of customers and there was no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivables. As at December 31, 2015, 2016 and 2017 and as at September 30, 2018, the loss allowance provision for accounts receivables is disclosed in Note 21.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

(c) *Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents and marketable securities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at September 30, 2018				
Accounts payables	325,807	—	—	325,807
Other payables, accruals and other liabilities (excluding advance, accrual for payroll and welfare allowances and other taxes payable)	1,974,397	—	—	1,974,397
Financial liabilities at fair value through profit or loss	370,587	—	—	370,587
Borrowings	519,020	—	—	519,020
	<u>3,189,811</u>	<u>—</u>	<u>—</u>	<u>3,189,811</u>
As at December 31, 2017				
Accounts payables	331,198	—	—	331,198
Other payables, accruals and other liabilities (excluding advance, accrual for payroll and welfare allowances and other taxes payable)	2,843,851	—	—	2,843,851
	<u>3,175,049</u>	<u>—</u>	<u>—</u>	<u>3,175,049</u>
As at December 31, 2016				
Accounts payables	124,745	—	—	124,745
Other payables, accruals and other liabilities (excluding advance, accrual for payroll and welfare allowances and other taxes payable)	995,999	—	—	995,999
Convertible bonds	400,000	—	—	400,000
	<u>1,520,744</u>	<u>—</u>	<u>—</u>	<u>1,520,744</u>

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2015				
Accounts payables	36,096	—	—	36,096
Other payables, accruals and other liabilities (excluding advance, accrual for payroll and welfare allowances and other taxes payable)	<u>1,798,295</u>	<u>—</u>	<u>—</u>	<u>1,798,295</u>
	<u>1,834,391</u>	<u>—</u>	<u>—</u>	<u>1,834,391</u>

3.2 Capital management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt calculated as total borrowings less cash and cash equivalents, and liquid investment which are financial assets held at fair value through profit or loss. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debts. As at September 30, 2018, the Group has a net cash position.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at December 31, 2015, 2016 and 2017 and as at September 30, 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at September 30, 2018.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss				
Investments in wealth management products	—	—	293,427	293,427
Unlisted investments	—	—	38,801	38,801
	—	—	332,228	332,228
Financial liabilities at fair value through profit or loss				
	—	—	353,086	353,086

The following table presents the Group's assets that are measured at fair value as at December 31, 2017.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss				
Investments in wealth management products	—	—	963,139	963,139
Unlisted investments	—	—	32,801	32,801
	—	—	995,940	995,940

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

During the years ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2017 and 2018, there was no transfer between level 1 and 2 for recurring fair value measurements.

Valuation processes of the Group (Level 3)

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments.

The components of the level 3 instruments mainly include investments in wealth management products, unlisted equity interest in companies and financial liabilities at fair value through profit or loss. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows approach and comparable transactions approach, etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimates of weighted average cost of capital (WACC), recent market transactions, discount for lack of marketability and other exposure etc. The fair value of these instruments determined by the Group requires significant judgement, including the likelihood of non-performing by the investee company, financial performance of the investee company, market value of comparable companies as well as discount rate, etc.

The investment in wealth management products mainly represent the investments in wealth management products issued by banks in the PRC with non-guaranteed principal and floating return of investment. The Group used discounted cash flows approach to value the fair value of the financial product as at period end. Due to the short period and low expected return rate ranging from 1.55% to 4.66% per annum, the Group considered the fair value of financial product approximately to the cost.

The investment in unlisted investments represent the investment in certain privately owned companies. Two of the investees were incorporated in April 2017 and June 2017 respectively. The fair value of the investments is approximate to the cost and relevant fair value gain/loss are minimal because these two investees were both in the early stage of operation and it has not been a long time since the Group's investments in them. The other two investees were acquired with the acquisition of Beijing Weige Shidai (Note 32) on September 25, 2017. The book value of these two investments are

based on their fair value on the acquisition date. Considering there are no significant changes on these two investees' operational and financial conditions from the acquisition date to December 31, 2017 and to September 30, 2018, the Group considered the fair value of the investments is approximate to the book value.

On July 24, 2018, the Company issued a convertible bond in the principal amount of USD50,955,200 (equivalent to approximately RMB350,011,000) with 5% interest rate per annum and maturity date on July 28, 2019. The convertible bonds would be classified as a financial liability and designated as financial liabilities at fair value through profit or loss (Note 26). The initial value of the financial liability of approximately RMB350,011,000 was calculated using a market interest rate and the expect Listing date. The financial liability is subsequently stated at fair value until conversion or maturity of the bond. The changes of the fair value was recognized to the consolidated statement of comprehensive income.

If the fair values of financial assets and liabilities at fair value through profit or loss held by the Group had been 10% higher/lower, the loss before income tax for the year ended December 31, 2017 and the nine months ended September 30, 2018 would have been approximately RMB99,594,000 lower/higher and RMB2,086,000 higher/lower, respectively.

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, accounts receivables and other receivables, accounts payables, other payables and borrowings approximate to their fair values due to their short maturities.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Management of 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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) *Recoverability of non-financial assets*

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five/seven-year period. Cash flows beyond the five/seven-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 15.

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income.

(b) *Business combinations*

Business combinations are accounted for under acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed, which mainly include trademarks, software, business cooperation agreement and contractual customer relationship, is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets and forecasted life cycle and forecasted cash flows over that period. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

(c) *Useful lives and amortization charges of intangible assets*

The Group's management determines the estimated useful lives and related amortization charges for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore amortization expense in future periods.

The current estimated useful lives are stated in Note 2.6. If the estimated amortization lives of trademarks, software, business cooperation agreement and contractual customer relationship had been increased/decreased by 10%, the amortization expenses of intangible assets would have been decreased/increased by approximately RMB4,096,000 and RMB5,006,000 for the year ended December 31, 2017 (RMB9,207,000 and RMB11,233,000 for the nine months ended September 30, 2018).

(d) *Current and deferred income taxes*

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. 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 income tax provisions in the period in which such determination is made.

The Group considers whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing, by assuming taxation authority will examine those amounts and will have full knowledge of all relevant information. When the Group concludes that it is probable that a particular tax treatment is accepted, the Group determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the Group concludes that it is not probable that a particular tax treatment is accepted, the Group uses the most likely amount or the expected value of the tax treatment when determining taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Group assesses its judgements and estimates if facts and circumstances change.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(e) *Recognition of share-based compensation expenses*

The fair value of options is determined by the Black-Scholes option-pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimate on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the directors and third-party valuer.

(f) *Revenue recognition*

(i) *Revenue from movie promotion services*

The Group offers movie promotion services to movie production companies. Determining whether the Group is acting as a principal or as an agent in the provision of movie promotion services to its customers requires judgment and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers individually or in combination, whether the Group is primarily responsible for fulfilling the promise to provide the promotion service, whether the Group has full discretion to determine the promotion plan, whether the Group bears certain inventory risk, and whether the Group has discretion in establishing the price.

When the Group offers movie promotion services to movie production companies, the movie production companies are identified as its customers. When the Group is also engaged by the movie production companies as their distributor, the movie promotion services provided for movies (refer to as “Promotional payments when engaged by movie production companies as a distributor”) typically include running targeted audience incentive programs, diversified promotion campaigns, movie pre-sale and test-screenings, while when the Group is not engaged by the movie production companies as their distributor, the movie promotion services provided for movies (refer to as “User incentives funded by business partners”) mainly include running targeted audience incentive programs, and/or other online promotion activities including placement of the movie advertisement in the Group’s platform of which the determination is at the full discretion of the Group.

The Group enters into separate promotional agreement with movie production companies for design and delivery of promotion services during a specific period for each movie. The customers can benefit from the box office revenue when the target consumers are being attracted by its promotion activities provided and then pay to watch the movie in the cinema. The more effective the promotion activities are, the better the box office performance is expected to be. In a situation where the Group is also engaged as a distributor, the Group has full discretion to plan how, where, when and to who to launch the promotion activities (including the plan and execution of the online targeted audience incentive programs and offline promotion campaigns and etc.), and it can modify its promotion plan based on market response from time to time.

In a situation where the Group is not engaged as a distributor, the Group has full discretion to determine whether to adopt an online targeted audience incentive plan, and/or to conduct other online promotion actives (such as movie online advertisement); and further, after the Group determines to adopt the online targeted audience incentive plan, the Group also has the full discretion to determine who can get the incentive (the audience of which cities and cinemas) and how much incentive each movie ticket and each individual audience can get per transaction, and it can also modify the audience incentive plan for each engaged promotional movie project based on market response, and further consider the overall audience incentive strategy/plan funded by the Group itself, from time to time.

In a situation where the Group is also engaged as a distributor, when the Group designs and launches its promotion during the contract period, it may subcontract out part of the promotion service at its own discretion. When the Group involves other parties to provide the service, it does not arrange other parties to transfer goods or services directly to its customers (movie production companies). Instead, those subcontractors are responsible to the Group and acts under its direction only. The Group can direct and control all of the promotion services before it is transferred to the customers. Thus, it can control the specified service before the services are transferred to customers, and it satisfies the performance obligation by itself or engage another party (for example, a subcontractor) to satisfy some of the performance obligations on its behalf, at its sole discretion.

The Group normally is responsible for the overall promotion strategy (including the determination to adopt a targeted audience incentive plan and how to plan and execute the plan), fulfilling the promise in the contract, carrying out the promotion task and monitoring the quality of services. Thus, the Group is primarily responsible for fulfilling the promise to provide the promotion service.

The Group is responsible for the promotion activities and it needs to pay for the preparation costs and the cost of making advertising materials, as well as the staff costs of wages first (including those staff prepare online targeted audience incentive plan). The Group does not have unconditional right to revenue until it has provided the services to the customers. From this perspective, the Group bears certain inventory risk.

The Group has discretion in establishing the price for the promotional services with production companies and have ability to negotiate the service terms and pricing separately with its selected subcontractors. Thus, it has discretion in establishing the price.

As a result the Group considers it is appropriate to recognize the payment from its customers (movie production companies), for the purpose of the reimbursement of its movie distribution and promotion cost, as its revenue on a gross basis.

(ii) *Revenue from movie production/investment*

As disclosed in Note 2.22.1(b)(ii), the Group sometimes participates in movie production as a co-producer to make investment in the movie and may earn return on the box office. Determining whether the investment is considered in substance a joint operation requires judgment and consideration of all relevant facts and circumstances. When the Group involves and participates in the determination of idea origination, production crew, cast selection, shooting, post-production with other co-producers and determine distribution and promotion plan as distributor for the movies, and when the key relevant activities of the movie production are discussed and jointly determined by the Company and other producers, the arrangement is considered in substance as a joint operation.

5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-makers.

As a result of this evaluation, the executive directors of the Group consider that the Group's operations are operated and managed as a single segment; accordingly no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenue from external customers in the PRC.

As at December 31, 2015, 2016 and 2017 and as at September 30, 2018, substantially all of the non-current assets were located in the PRC.

6 Revenue

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Online entertainment ticketing	594,486	960,059	1,490,037	985,423	1,831,555
Entertainment content services	—	337,299	852,299	410,948	910,253
E-commerce services	1,386	15,470	127,229	87,625	160,339
Advertising services and others	866	64,684	78,417	50,597	160,185
Total revenue	<u>596,738</u>	<u>1,377,512</u>	<u>2,547,982</u>	<u>1,534,593</u>	<u>3,062,332</u>

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue at a point in time	595,872	975,529	1,617,266	1,073,048	1,991,894
Revenue over time	866	401,983	930,716	461,545	1,070,438
Total revenue	<u>596,738</u>	<u>1,377,512</u>	<u>2,547,982</u>	<u>1,534,593</u>	<u>3,062,332</u>

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue on a net basis	<u>595,872</u>	<u>976,738</u>	<u>1,617,969</u>	<u>1,076,814</u>	<u>1,992,562</u>
- <i>Online entertainment ticketing (Note (a))</i>	<u>594,486</u>	<u>960,059</u>	<u>1,490,037</u>	<u>985,423</u>	<u>1,831,555</u>
- <i>E-commerce services (Note (a))</i>	<u>1,386</u>	<u>15,470</u>	<u>127,229</u>	<u>87,625</u>	<u>160,339</u>
- <i>Entertainment content services (Note (b))</i>	<u>—</u>	<u>1,209</u>	<u>703</u>	<u>3,766</u>	<u>668</u>
Revenue on a gross basis	<u>866</u>	<u>400,774</u>	<u>930,013</u>	<u>457,779</u>	<u>1,069,770</u>
- <i>Entertainment content services (Note (b))</i>	<u>—</u>	<u>336,090</u>	<u>851,596</u>	<u>407,182</u>	<u>909,585</u>
- <i>Advertising services and others (Note (b))</i>	<u>866</u>	<u>64,684</u>	<u>78,417</u>	<u>50,597</u>	<u>160,185</u>
Total revenue	<u><u>596,738</u></u>	<u><u>1,377,512</u></u>	<u><u>2,547,982</u></u>	<u><u>1,534,593</u></u>	<u><u>3,062,332</u></u>

- (a) As disclosed in Note 2.22.1 (a) and (c), revenue from online entertainment ticketing services and e-commerce services are recognized on a net basis.
- (b) As disclosed in Note 2.22.1 (b) and (d), revenue from entertainment content services (which include user incentive funded by business partners and promotional payments when engaged by movie producer as a distributor) and advertising services are recognized on a gross basis, except that certain investments in movie production projects are recognized on a net basis (Note 2.22.1 (b)(ii)).

7 Expenses by nature

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Marketing and promotion expenses	1,448,435	900,576	1,289,594	840,098	1,582,063
Ticketing system cost	192,071	244,068	393,531	259,572	440,658
Staff costs - excluding share options granted to directors and employees (Note 9)	90,681	207,370	248,533	158,148	293,241
Content distribution and promotion cost	—	74,049	126,558	39,425	190,203
Internet infrastructure cost	91,287	119,710	136,761	86,423	153,452
Amortization of intangible assets (Note 15)	—	—	45,058	13,914	103,979
Share options granted to directors and employees (Note 9)	27,348	202,712	184,542	151,339	99,288
Content production cost	—	—	59,798	39,534	112,804
Tax and levies	160	5,943	20,957	13,777	24,413
Listing expenses	—	—	2,300	—	24,742
Depreciation of property, plant and equipment (Note 14)	3,435	9,137	3,465	1,292	7,598
Provision/(Reversal) for impairment of accounts receivables	2,642	(1,101)	7,412	6,745	2,867
Auditors' remuneration	—	—	200	—	307
Other expenses	39,513	87,481	88,025	43,158	130,015
Total cost of revenue, selling and marketing expenses, general and administrative expenses	1,895,572	1,849,945	2,606,734	1,653,425	3,165,630

- (a) During the years ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2017 and 2018, the Group incurred expenses for the purpose of research and development of approximately RMB48,940,000, RMB162,699,000, RMB143,970,000, RMB99,688,000, RMB165,560,000 respectively, which comprised employee benefits expenses of RMB38,855,000, RMB154,306,000, RMB143,441,000, RMB99,385,000, RMB164,075,000 respectively.

No significant development expenses had been capitalised for the years ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2017 and 2018.

8 Other (losses)/gains, net

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Impairment of goodwill arising from the acquisition of Jietong Wuxian (Note 15)	—	—	(46,931)	—	(62,763)
Fair value gain on financial assets at fair value through profit or loss	—	4,322	25,702	15,646	15,250
Fair value loss on financial liabilities at fair value through profit or loss	—	—	—	—	(3,075)
Government subsidies	—	4,000	20,382	20,382	7,559
Losses from disposal of property, plant and equipment	(2,005)	(30,619)	(6,274)	—	—
Gains from disposal of subsidiaries	—	—	—	—	3,832
Others	—	—	(155)	(43)	900
	<u>(2,005)</u>	<u>(22,297)</u>	<u>(7,276)</u>	<u>35,985</u>	<u>(38,297)</u>

9 Employee benefit expenses

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	69,454	160,388	197,482	126,608	227,609
Share-based compensation expenses	—	102,635	173,284	140,081	99,288
Welfare, medical and other expenses (Note (a))	11,839	29,195	31,626	19,225	40,213
Contributions to pension plans (Note (a))	9,388	17,787	19,425	12,315	25,419
Share-based compensation transaction with shareholders (Note (b))	<u>27,348</u>	<u>100,077</u>	<u>11,258</u>	<u>11,258</u>	<u>—</u>
	<u>118,029</u>	<u>410,082</u>	<u>433,075</u>	<u>309,487</u>	<u>392,529</u>

- (a) Majority of the Group's contributions to pension plans are related to the local employees in the PRC. All local employees of the subsidiaries in the PRC participate in employee social security plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the governmental authorities. Except for the contributions made to these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are paid to the respective labour and social welfare authorities and are expensed as incurred. The applicable percentages used to provide for these social security plans for the Track Record Period are listed below:

	<u>Percentage</u>
Pension insurance	12%-20%
Medical insurance	3%-10.5%
Unemployment insurance	0.5%-0.9%
Housing fund	5%-12%

- (b) On July 31, 2016, Meituan Dianping completed the disposal of its Online Movie Ticketing Business. As a result of the disposal, Meituan Dianping modified previously awarded share options and restricted shares units under their incentive share plan not yet vested and held by the employee of the Group, by allowing them to vest for one additional year. For those awards that had a remaining original vesting period greater than one year, this incremental portion that will not vest were cancelled and recognized as expensed as compensation cost on July 31, 2016 accordingly. This transaction was treated as share-based payment transactions with shareholder and the related share-based payment expenses were recognized in profit or loss of the Group in accordance with "IFRS 2 — Share-based payment".

(c) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group include nil director for the year ended December 31, 2015 and one director for the years ended December 31, 2016 and 2017 and nine months ended September 30, 2017 and 2018, whose emoluments are reflected in the analysis shown in Note 9(d). The emoluments payable to the remaining 4 individuals during the relevant periods and remaining 5 individuals during year ended December 31, 2015 are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	3,449	4,370	5,931	2,932	4,051
Contributions to pension plans	135	139	202	150	139
Share-based compensation expenses	387	21,355	38,745	30,724	28,560
Welfare, medical and other expenses	165	176	255	188	188
	<u>4,136</u>	<u>26,040</u>	<u>45,133</u>	<u>33,994</u>	<u>32,938</u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals				
	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
				(Unaudited)	
Nil — HKD5,000,000	5	—	—	1	—
HKD5,000,001 — HKD10,000,000	—	3	3	2	2
HKD10,000,001 — HKD20,000,000	—	1	—	1	2
HKD20,000,001 — HKD30,000,000	—	—	1	—	—
HKD30,000,001 — HKD70,000,000	—	—	—	—	1
HKD70,000,001 — HKD110,000,000	—	1	—	1	—
HKD110,000,001 — HKD130,000,000	—	—	1	—	—

During the Track Record Period, no director or the five highest paid individuals received any emolument from the Group as an inducement to join or upon joining the Group, leave the Group or as compensation for loss of office.

(d) *Benefits and interests of directors*

The remuneration of each director for the year ended December 31, 2015 are set out as follows:

Director's fee	Pension		Other employee benefits	Share-based compensation expenses	Total
	Salaries, wages and bonuses	costs-defined contribution plan			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
- Mr. ZHENG Zhihao	—	—	—	—	—
Non-executive directors					
- Mr. WANG Changtian	—	—	—	—	—
- Ms. LI Xiaoping	—	—	—	—	—
- Ms. WANG Jian	—	—	—	—	—
- Mr. CHEN Shaohui	—	—	—	—	—
- Mr. LIN Ning	—	—	—	—	—
- Mr. ZHAN Weibiao	—	—	—	—	—
- Mr. WANG Hua	—	—	—	—	—
- Mr. CHAN Charles Sheung Wai	—	—	—	—	—
- Mr. MA Dong	—	—	—	—	—
- Mr. LUO Zhenyu	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—

The remuneration of each director for the year ended December 31, 2016 are set out as follows:

Director's fee	Pension		Other employee benefits	Share-based compensation expenses	Total
	Salaries, wages and bonuses	costs-defined contribution plan			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
- Mr. ZHENG Zhihao	—	1,612	—	66,492	68,104
Non-executive directors					
- Mr. WANG Changtian	—	—	—	—	—
- Ms. LI Xiaoping	—	—	—	—	—
- Ms. WANG Jian	—	—	—	—	—
- Mr. CHEN Shaohui	—	—	—	—	—
- Mr. LIN Ning	—	—	—	—	—
- Mr. ZHAN Weibiao	—	—	—	—	—
- Mr. WANG Hua	—	—	—	—	—
- Mr. CHAN Charles Sheung Wai	—	—	—	—	—
- Mr. MA Dong	—	—	—	—	—
- Mr. LUO Zhenyu	—	—	—	—	—
	—	1,612	—	66,492	68,104

The remuneration of each director for the year ended December 31, 2017 are set out as follows:

	Director's fee	Salaries, wages and bonuses	Pension costs-defined contribution plan	Other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director						
- Mr. ZHENG Zhihao	—	2,310	—	—	102,505	104,815
Non-executive directors						
- Mr. WANG Changtian	—	—	—	—	—	—
- Ms. LI Xiaoping	—	—	—	—	—	—
- Ms. WANG Jian	—	—	—	—	—	—
- Mr. CHEN Shaohui	—	—	—	—	—	—
- Mr. LIN Ning	—	—	—	—	—	—
- Mr. ZHAN Weibiao	—	—	—	—	—	—
- Mr. WANG Hua	—	—	—	—	—	—
- Mr. CHAN Charles Sheung Wai	—	—	—	—	—	—
- Mr. MA Dong	—	—	—	—	—	—
- Mr. LUO Zhenyu	—	—	—	—	—	—
	—	2,310	—	—	102,505	104,815

The remuneration of each director for the nine months ended September 30, 2017 are set out as follows:

	Director's fee	Salaries, wages and bonuses	Pension costs-defined contribution plan	Other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Executive director						
- Mr. ZHENG Zhihao	—	1,237	—	—	83,133	84,370
Non-executive directors						
- Mr. WANG Changtian	—	—	—	—	—	—
- Ms. LI Xiaoping	—	—	—	—	—	—
- Ms. WANG Jian	—	—	—	—	—	—
- Mr. CHEN Shaohui	—	—	—	—	—	—
- Mr. LIN Ning	—	—	—	—	—	—
- Mr. ZHAN Weibiao	—	—	—	—	—	—
- Mr. WANG Hua	—	—	—	—	—	—
- Mr. CHAN Charles Sheung Wai	—	—	—	—	—	—
- Mr. MA Dong	—	—	—	—	—	—
- Mr. LUO Zhenyu	—	—	—	—	—	—
	—	1,237	—	—	83,133	84,370

The remuneration of each director for the nine months ended September 30, 2018 are set out as follows:

Director's fee	Salaries, wages and bonuses	Pension	Other employee benefits	Share-based compensation expenses	Total	
		costs-defined contribution plan				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Executive director						
- Mr. ZHENG Zhihao	—	1,367	—	—	40,079	41,446
Non-executive directors						
- Mr. WANG Changtian	—	—	—	—	—	—
- Ms. LI Xiaoping	—	—	—	—	—	—
- Ms. WANG Jian	—	—	—	—	—	—
- Mr. CHEN Shaohui	—	—	—	—	—	—
- Mr. LIN Ning	—	—	—	—	—	—
- Mr. ZHAN Weibiao	—	—	—	—	—	—
- Mr. WANG Hua	—	—	—	—	—	—
- Mr. CHAN Charles Sheung Wai	—	—	—	—	—	—
- Mr. MA Dong	—	—	—	—	—	—
- Mr. LUO Zhenyu	—	—	—	—	—	—
	—	1,367	—	—	40,079	41,446

10 Finance income/(costs), net

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Finance income:					
- Interest income from bank deposits	29	1,387	1,991	1,361	2,578
Finance costs:					
- Interest expense on convertible bonds	—	(4,991)	(13,236)	(13,236)	—
- Interest expense on bank borrowings	—	—	—	—	(4,038)
Finance income/(costs), net	<u>29</u>	<u>(3,604)</u>	<u>(11,245)</u>	<u>(11,875)</u>	<u>(1,460)</u>

11 Income tax (credits)/expenses

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax	—	8,083	13,900	65,264	17,315
Deferred income tax (Note 19)	(3,378)	1,745	(13,721)	(7,881)	(18,611)
Income tax (credits)/expenses	<u>(3,378)</u>	<u>9,828</u>	<u>179</u>	<u>57,383</u>	<u>(1,296)</u>

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2017 and 2018, being the tax rate of the major subsidiaries of the Group. The differences are analysed as follows:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Loss before income tax	(1,300,810)	(498,334)	(75,834)	(94,722)	(145,239)
Less: Share of (profits)/losses of investments accounted for using the equity method	<u>—</u>	<u>—</u>	<u>(1,439)</u>	<u>—</u>	<u>2,184</u>
	<u>(1,300,810)</u>	<u>(498,334)</u>	<u>(77,273)</u>	<u>(94,722)</u>	<u>(143,055)</u>
Tax calculated at a tax rate of 25%	(325,203)	(124,584)	(19,318)	(23,681)	(35,764)
Tax effects of:					
- Effects of different tax rates applicable to different subsidiaries of the Group	—	10	(125,098)	(30,858)	7,726
- Expenses not deductible for tax purposes	7,182	59,954	61,149	38,492	10,865
- Contribution from equity holder recognized directly in equity (Note (v))	—	—	64,286	64,286	—
- Temporary differences not recognized for deferred tax assets	314,643	74,448	20,275	9,194	15,877
- Utilisation of tax losses previously not recognized	<u>—</u>	<u>—</u>	<u>(1,115)</u>	<u>(50)</u>	<u>—</u>
Income tax (credits)/expenses	<u>(3,378)</u>	<u>9,828</u>	<u>179</u>	<u>57,383</u>	<u>(1,296)</u>

(i) *Cayman Islands corporate income tax ("CIT")*

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) *Hong Kong profits tax*

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2017 and 2018.

(iii) *PRC corporate income tax*

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2017 and 2018. According to the relevant tax circulars issued by the PRC tax authorities, a subsidiary of the Group is entitled to tax concessions and is exempted from CIT during the period from its incorporation to December 31, 2020.

(iv) *BVI income tax*

No provision for income tax in BVI has been made as the Group has no income assessable to income tax in BVI for the nine months ended September 30, 2018.

(v) *Contribution from equity holder recognized directly in equity*

Contribution from equity holder recognized directly in equity came from the exemption of the Company's shareholder, Meituan Dianping on the payables of RMB257,142,000. Such exemption is subject to CIT according to the relevant tax regulation of the PRC.

12 Loss per share

(a) *Basic loss per share*

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
				(Unaudited)	
Loss attributable to equity holders of the Company (RMB'000)	(1,297,432)	(508,162)	(75,469)	(151,751)	(142,873)
Weighted average number of ordinary shares in issue (thousand) (Note 29)	184,551	184,551	184,551	184,551	184,551
Weighted average number of preferred shares in issue (thousand) (Note 29)	4,831	4,831	4,831	4,831	4,831
Weighted average number of vested restricted shares in issue (thousand) (Note 29)	2,570	2,570	2,570	2,570	2,570
Total weighted average number of shares in issue (thousand)	191,952	191,952	191,952	191,952	191,952
Basic loss per share (in RMB)	<u>(6.76)</u>	<u>(2.65)</u>	<u>(0.39)</u>	<u>(0.79)</u>	<u>(0.74)</u>

Basic losses per share are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue, weighted average number of preferred shares in issue and weighted average number of vested restricted shares in issue during the respective years/periods. The weighted average number of shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganization.

(b) *Diluted loss per share*

Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. For the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, the Company had share options granted to employees (Note 31). As the Group incurred losses for the years ended December 31, 2016 and 2017 and the nine months ended September 30, 2017 and 2018, the potential ordinary shares were not included in the calculation of the diluted loss per share as their inclusion would be anti-dilutive.

Accordingly, diluted losses per share for the years ended December 31, 2015, 2016 and 2017 and the nine months ended September 30, 2017 and 2018 are the same as basic loss per share of the respective years/periods.

13 Dividends

No dividends have been paid or declared by the Company during each of the years ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2017 and 2018.

14 Property, plant and equipment

	Office equipment	Computer equipment	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2015				
Cost	563	9,254	—	9,817
Accumulated depreciation	(168)	(1,115)	—	(1,283)
Net book amount	<u>395</u>	<u>8,139</u>	<u>—</u>	<u>8,534</u>
Year ended December 31, 2015				
Opening net book amount	395	8,139	—	8,534
Additions	2,705	7,930	—	10,635
Disposals	(1,997)	(8)	—	(2,005)
Depreciation	(711)	(2,724)	—	(3,435)
Closing net book amount	<u>392</u>	<u>13,337</u>	<u>—</u>	<u>13,729</u>
As at December 31, 2015				
Cost	413	17,167	—	17,580
Accumulated depreciation	(21)	(3,830)	—	(3,851)
Net book amount	<u>392</u>	<u>13,337</u>	<u>—</u>	<u>13,729</u>
Year ended December 31, 2016				
Opening net book amount	392	13,337	—	13,729
Additions	12,004	17,598	—	29,602
Disposals	(9,992)	(20,627)	—	(30,619)
Depreciation	(2,309)	(6,828)	—	(9,137)
Closing net book amount	<u>95</u>	<u>3,480</u>	<u>—</u>	<u>3,575</u>
As at December 31, 2016				
Cost	103	3,845	—	3,948
Accumulated depreciation	(8)	(365)	—	(373)
Net book amount	<u>95</u>	<u>3,480</u>	<u>—</u>	<u>3,575</u>

APPENDIX I
ACCOUNTANT'S REPORT

	Office equipment	Computer equipment	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2017				
Opening net book amount	95	3,480	—	3,575
Business combinations (Note 32)	10,330	—	124	10,454
Additions	4,298	7,119	16,091	27,508
Disposals	(4,514)	(1,760)	—	(6,274)
Depreciation	(1,383)	(2,007)	(75)	(3,465)
Currency translation differences	(3)	—	—	(3)
Closing net book amount	<u>8,823</u>	<u>6,832</u>	<u>16,140</u>	<u>31,795</u>
As at December 31, 2017				
Cost	14,831	10,964	16,595	42,390
Accumulated depreciation	(6,008)	(4,132)	(455)	(10,595)
Net book amount	<u>8,823</u>	<u>6,832</u>	<u>16,140</u>	<u>31,795</u>
Nine months ended September 30, 2018				
Opening net book amount	8,823	6,832	16,140	31,795
Additions	3,059	3,980	—	7,039
Disposals of subsidiaries	(1,997)	—	(17)	(2,014)
Depreciation	(2,073)	(2,860)	(2,665)	(7,598)
Currency translation differences	5	1	—	6
Closing net book amount	<u>7,817</u>	<u>7,953</u>	<u>13,458</u>	<u>29,228</u>
As at September 30, 2018				
Cost	9,917	13,185	16,091	39,193
Accumulated depreciation	(2,100)	(5,232)	(2,633)	(9,965)
Net book amount	<u>7,817</u>	<u>7,953</u>	<u>13,458</u>	<u>29,228</u>

Depreciation expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of revenue	3,407	6,828	2,007	948	2,860
Selling and marketing expenses	—	—	183	89	71
General and administrative expenses	28	2,309	1,275	255	4,667
	<u>3,435</u>	<u>9,137</u>	<u>3,465</u>	<u>1,292</u>	<u>7,598</u>

15 Intangible assets

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Software</u>	<u>Business cooperation agreement</u>	<u>Customers' relationship</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2015,						
December 31, 2015, 2016	—	—	—	—	—	—
Year ended December 31, 2017						
Opening net book amount	—	—	—	—	—	—
Business combinations (Note 32)	4,569,254	686,736	24,443	245,111	174,832	5,700,376
Amortization of intangible assets resulting from business combinations	—	(22,938)	(481)	(16,341)	(5,298)	(45,058)
Impairment of goodwill arising from the acquisition of Jietong Wuxian	(46,931)	—	—	—	—	(46,931)
Currency translation differences	—	—	(164)	—	—	(164)
Closing net book amount	<u>4,522,323</u>	<u>663,798</u>	<u>23,798</u>	<u>228,770</u>	<u>169,534</u>	<u>5,608,223</u>
As at December 31, 2017						
Cost	4,569,254	686,736	24,236	245,111	174,832	5,700,169
Accumulated amortization	—	(22,938)	(438)	(16,341)	(5,298)	(45,015)
Impairment	(46,931)	—	—	—	—	(46,931)
Net book amount	<u>4,522,323</u>	<u>663,798</u>	<u>23,798</u>	<u>228,770</u>	<u>169,534</u>	<u>5,608,223</u>
Nine months ended						
September 30, 2018						
Opening net book amount	4,522,323	663,798	23,798	228,770	169,534	5,608,223
Additions	—	—	1,896	—	—	1,896
Disposals of subsidiaries	(7,586)	(2,502)	(9,863)	—	—	(19,951)
Amortization of intangible assets resulting from business combination	—	(51,436)	(3,775)	(36,767)	(11,920)	(103,898)
Amortization of purchased intangible assets	—	—	(81)	—	—	(81)
Impairment of goodwill arising from the acquisition of Jietong Wuxian	(62,763)	—	—	—	—	(62,763)
Currency translation differences	—	—	505	—	—	505
Closing net book amount	<u>4,451,974</u>	<u>609,860</u>	<u>12,480</u>	<u>192,003</u>	<u>157,614</u>	<u>5,423,931</u>
As at September 30, 2018						
Cost	4,451,974	683,956	15,427	245,111	174,832	5,571,300
Accumulated amortization	—	(74,096)	(2,947)	(53,108)	(17,218)	(147,369)
Net book amount	<u>4,451,974</u>	<u>609,860</u>	<u>12,480</u>	<u>192,003</u>	<u>157,614</u>	<u>5,423,931</u>

Amortization expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of revenue	—	—	44,577	13,845	100,123
Selling and marketing expenses	—	—	17	9	7
General and administrative expenses	—	—	464	60	3,849
	—	—	45,058	13,914	103,979

(a) *Goodwill impairment*

The goodwill balance mainly arose from the acquisition of 68.55% equity interest in Jietong Wuxian in 2017 from Enlight Media, and the acquisition of 100% equity interests in Beijing Weige Shidai and Ruihai Fangyuan in 2017 (Note 32). Goodwill is attributable to the acquired market share and economies of scale expected to be derived from combining with the operations of the Group.

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of CGU to the carrying amounts. Upon completion of acquisition of Beijing Weige Shidai and Ruihai Fangyuan, the Group integrated the business (including the management, assets, customers, users and systems) of Beijing Weige Shidai and Ruihai Fangyuan with the Group's movie ticketing business in order to improve the operation efficiency. The management considers that the business of Beijing Weige Shidai and Ruihai Fangyuan and the Group's remaining business (excluding Jietong Wuxian, collectively the "Combined business") represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. As a result, the goodwill of RMB117,280,000 was allocated and monitored to the CGU of Jietong Wuxian and the goodwill of RMB4,451,974,000 arising from the acquisition of Beijing Weige Shidai and Ruihai Fangyuan was allocated and monitored to the CGU of Combined business. The following is a summary of goodwill allocation for each CGU:

	Combined business	Jietong Wuxian
	RMB'000	RMB'000
Year ended December 31, 2017		
Opening	—	—
Additions	4,451,974	117,280
Impairment	—	(46,931)
Closing	<u>4,451,974</u>	<u>70,349</u>

	Combined business	Jietong Wuxian
	RMB'000	RMB'000
Nine months ended September 30, 2018		
Opening	4,451,974	70,349
Impairment	—	(62,763)
Disposal of Jietong Wuxian	—	(7,586)
Closing	<u>4,451,974</u>	<u>—</u>

Impairment review on the goodwill of the Group has been conducted by the management as at December 31, 2017 and September 30, 2018. For the purpose of impairment review, the recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five/seven-year period. Cash flows beyond the five/seven-year period are extrapolated using the estimated terminal growth rates stated below.

The key parameters used for value-in-use calculations are as follows:

As at December 31, 2017

	Combined business	Jietong Wuxian
Gross margin	56.9%~61.0%	21.0%~23.0%
Growth rate of the first five years	13.8%~22.3%	7.6%~70.2%
Terminal growth rate	2.5%	2.5%
Discount rate	19.2%	23.5%

As at September 30, 2018

	Combined business
Gross margin	58.1%~61.8%
Growth rate of the first five years	13.8%~26.9%
Terminal growth rate	2.5%
Discount rate	19.2%

The growth rates used do not exceed the industry growth forecast for the market in which the Group operates. The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The budgeted gross margin was determined by the management based on past performance and its expectation for market development.

Combined business

Impairment review on the goodwill of the Combined business has been conducted by the management as at December 31, 2017 and September 30, 2018. For the purpose of impairment review, the recoverable amount of CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a seven-year period.

Under paragraph 33(b) of IAS 36, a period longer than five years can be used projections if it is justifiable, and the management of the Group used a seven-year period, which takes into account the length of the post projection period for the cash flow forecast will be perpetuity, and this shall be achieved by identifying a 'steady state' set of assumptions for the cash flows in the last year of the forecasts and applying a terminal value multiple to those cash flows. Therefore, given the Group expects to maintain an extended high growth rate over a period longer than 5 years, management of the Group considers that the Group's business is expected to reach a steady and stable terminal growth state, which is likely after a seven-year period of gradually declining revenue growth. As a result, management considered that before the projections move into a long term stable period, such momentum of revenue growth during 2019 to 2023 will continue for another two years after 2023, during which the annual revenue growth rate will gradually drop from 13.8% in year 2023 to 11.0% in year 2024 and will further drop to a normal level of 7.3% in year 2025.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the Combined business far exceeded its carrying amount as at December 31, 2017 and September 30, 2018. The management of the Group has not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount to exceed the recoverable amount.

Based on the result of the goodwill impairment testing, the headroom of the Combined business were RMB10,378,295,000 and RMB11,934,724,000 as at December 31, 2017 and September 30, 2018, respectively.

The key assumptions used in the value in use calculations are as follows:

- Revenue is directly related to the Group's GMV and box office of the Group's business partners. When predicting revenue, the Group referred to the forecast of China's movie market, as well as the service fee rate and the Group's market share in China.
- For items of cost of revenue that are related to GMV of the Group, the Group referred to current fee rate and GMV projection to project the ticket system cost and internet infrastructure cost.
- The gross margin is determined by the management based on past performance and current market conditions.
- Selling and marketing expenses and general and administrative expenses are based on the Group's structure, business plan and the management's estimates.

- A terminal growth rate of 2.5% has been used in estimating cash flows beyond a period of 7 years.
- The cash flow projections are discounted using a pre-tax discount rate of 19.2%. The discount rate reflects the current market assessments of the time value of money and is based on the estimated cost of capital.

The Group performs the sensitivity analysis based on the assumptions that revenue amount or terminal value or the discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	<u>As at December 31,</u>	<u>As at September 30,</u>
	<u>2017</u>	<u>2018</u>
	RMB'000	RMB'000
Revenue amount decreases by 10%	4,720,000	6,014,000
Terminal value decreases by 10%	9,794,000	11,266,000
Discount rate increases by 5%	9,477,000	10,973,000

Jietong Wuxian

Since Jietong Wuxian's performance began to decline, the Group conducted the impairment review on the goodwill as at December 31, 2017. For the purpose of impairment review, the recoverable amount of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering a five-year period. As a result, an impairment loss of RMB46,931,000 related to the CGU of Jietong Wuxian has been recognized in the consolidated statement of comprehensive income for the year ended December 31, 2017.

On June 30, 2018, the Group entered into an equity interest transfer agreement with Jiang Chunyang, an individual minority shareholder of Jietong Wuxian, for the disposal of 76.6% equity interest in Jietong Wuxian for a consideration of RMB22,000,000. As a result, the recoverable amount of Jietong Wuxian was below the carrying amount of the net assets and an impairment loss of RMB62,763,000 was recognized in the consolidated statement of comprehensive income. The disposal was completed on August 10, 2018.

16 Investments accounted for using the equity method

	Year ended December 31,			Nine months ended
				September 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	—	—	—	39,073
Additions	—	—	25,334	—
Business combinations (Note 32)	—	—	12,300	—
Share of profits/(losses)	—	—	1,439	(2,184)
At the end of the year/period	—	—	39,073	36,889

Set out below are the associates of the Group as at December 31, 2015, 2016 and 2017 and as at September 30, 2018, which, in the opinion of the directors, none of the associate was individually significant to the Group. The associates as listed below have capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also the principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Company name	Date of incorporation	Registered Capital (RMB'000)	Percentage of ownership interest attributable to the Group				Principal activities and place of operation
			As at December 31,			As at September 30,	
			2015	2016	2017	2018	
Shanghai Chengxin Television Media Co., Ltd. ("Chengxin") (上海橙芯影視傳媒有限公司)	June 7, 2017	3,750	—	—	20%	20%	The PRC; Film production and distribution
Shanghai Mila Television Culture Media Co., Ltd. ("Mila") (上海救辣影視文化傳播有限公司)	August 14, 2017	6,250	—	—	20%	20%	The PRC; Film and television culture communication
Beijing Yaoying Movie Distribution Co., Ltd. ("Yaoying") (北京耀影電影發行有限公司)	June 3, 2016	19,600	—	—	25%	25%	The PRC; Film distribution
Ningbo Zhenhai Changxiangyuefu Culture Media Co., Ltd. ("Changxiangyuefu") (寧波鎮海唱享樂府文化傳播有限公司)	February 24, 2017	1,000	—	—	30%	30%	The PRC; Cultural and artistic communication

Company name	Date of incorporation	Registered Capital (RMB'000)	Percentage of ownership interest attributable to the Group				Principal activities and place of operation
			As at December 31,			As at September 30,	
			2015	2016	2017	2018	
Xinjiang Weying (新疆微影網絡科技有限公司)	August 10, 2018	5,000	—	—	—	30%	The PRC; Movie ticketing services and performance ticketing services

The English names of the associates represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

The Group determined that it does not have controlling financial interest in above investees, but rather possesses significant influence. The associates as listed above are private companies and there are no quoted market prices available for their shares. There is no contingent liabilities relating to the Group's interest in the associates.

Set out below are the summarized financial information for Chengxin, Mila, Yaoying and Changxiangyuefu and Xinjiang Weying which are accounted for using the equity method.

	As at December 31, 2017			
	Chengxin	Mila	Yaoying	Changxiangyuefu
	RMB'000	RMB'000	RMB'000	RMB'000
Reconciliation to carrying amounts:				
Opening net assets as at January 1, 2017	—	—	—	—
Capital injection	13,210	12,958	—	—
Business combinations	—	—	19,370	24,861
(Losses)/Profits for the year	(948)	(242)	6,709	(1)
Closing net assets as at December 31, 2017	<u>12,262</u>	<u>12,716</u>	<u>26,079</u>	<u>24,860</u>
Percentage of interest	20%	20%	25%	30%
Interest in the associates	2,452	2,543	6,520	7,458
Goodwill	<u>9,358</u>	<u>10,742</u>	—	—
Carrying amounts	<u><u>11,810</u></u>	<u><u>13,285</u></u>	<u><u>6,520</u></u>	<u><u>7,458</u></u>

For the year ended December 31, 2017

	Chengxin	Mila	Yaoying	Changxiangyuefu
	RMB'000	RMB'000	RMB'000	RMB'000
Summarized statement of comprehensive income				
Revenue	—	—	72,856	—
Profit from continuing operations	<u>(948)</u>	<u>(242)</u>	<u>6,709</u>	<u>(1)</u>

As at September 30, 2018

	Chengxin	Mila	Yaoying	Changxiangyuefu	Xinjiang Weying ^(a)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reconciliation to carrying amounts:					
Opening net assets as at January 1, 2018	12,262	12,716	26,079	24,860	(172)
Loss for the period	<u>(2,113)</u>	<u>(5,168)</u>	<u>(2,692)</u>	<u>(181)</u>	<u>(32)</u>
Closing net assets as at September 30, 2018	<u>10,149</u>	<u>7,548</u>	<u>23,387</u>	<u>24,679</u>	<u>(204)</u>
Percentage of interest	20%	20%	25%	30%	30%
Interest in the associates	2,030	1,509	5,846	7,404	—
Goodwill	<u>9,358</u>	<u>10,742</u>	<u>—</u>	<u>—</u>	<u>—</u>
Carrying amounts	<u>11,388</u>	<u>12,251</u>	<u>5,846</u>	<u>7,404</u>	<u>—</u>

Nine months ended September 30, 2018

	Chengxin	Mila	Yaoying	Changxiangyuefu	Xinjiang Weying ^(a)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Summarized statement of comprehensive income					
Revenue	171	—	—	—	360
Profit from continuing operations	<u>(2,113)</u>	<u>(5,168)</u>	<u>(2,692)</u>	<u>(181)</u>	<u>(32)</u>

(a) The Group disposed 21% equity interest of Xinjiang Weying to an individual shareholder MI Guoyong, with zero consideration in August 2018 because the fair value of Xinjiang Weying was immaterial and close to zero and it did not carry out any business. As a result, the Group lost control on Xinjiang Weying and Xinjiang Weying became an associate of the Group. The Group recognized a disposal gain of RMB88,000 during the nine months ended September 30, 2018. The carrying amount of the investment in Xinjiang Weying was reduced to nil as at September 30, 2018.

17 Financial instruments by category

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
Financial assets - fair value				
- Financial assets at fair value through profit or loss	—	—	995,940	332,228
Financial assets - amortized cost				
- Accounts receivables	188,738	140,827	311,000	379,226
- Deposit and other assets (excluding prepayments, staff advances and taxes)	79,916	121,595	612,896	580,023
- Cash and cash equivalents	63,749	1,102,226	1,170,130	1,210,602
	<u>332,403</u>	<u>1,364,648</u>	<u>3,089,966</u>	<u>2,502,079</u>
Financial liabilities - fair value				
- Financial liabilities at fair value through profit or loss	—	—	—	353,086
Financial liabilities - amortized cost				
- Accounts payables	36,096	124,745	331,198	325,807
- Other payables, accruals and other liabilities (excluding accrual for payroll and welfare allowances and other taxes payable)	1,798,295	995,999	2,843,851	1,974,397
- Convertible bonds	—	381,862	—	—
- Borrowings	—	—	—	500,000
	<u>1,834,391</u>	<u>1,502,606</u>	<u>3,175,049</u>	<u>3,153,290</u>

18 Financial assets at fair value through profit or loss

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
Investment in wealth management products (Note (a))	—	—	963,139	293,427
Investment in unlisted investments (Note (b))	—	—	32,801	38,801
	<u>—</u>	<u>—</u>	<u>995,940</u>	<u>332,228</u>

(a) *Investment in wealth management products*

Movements in investment in wealth management products were as follows:

	Year ended December 31,			Nine months ended
				September 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	—	—	—	963,139
Business combinations (Note 32)	—	—	30,000	—
Additions	—	3,450,000	10,735,000	3,134,200
Disposals	—	(3,454,322)	(9,827,563)	(3,784,155)
Disposal of Jietong Wuxian	—	—	—	(35,007)
Changes in fair value	—	4,322	25,702	15,250
At the end of the year/period	—	—	963,139	293,427

The investment in wealth management products mainly represent the investment in wealth management products issued by banks in the PRC with expected investment income rates for the year ended December 31, 2017 and for nine months ended September 30, 2018 ranging from 2.40%~4.66% and 1.55%~4.66%, respectively. The returns on all of these wealth management products are not guaranteed, and therefore the Group designated them as financial assets at fair value through profit or loss. The fair values are based on cash flows discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy. Changes in fair value (realized and unrealized) of these financial assets are recognized in “Other (losses)/gains, net” in the consolidated statements of comprehensive income.

The maximum exposure to credit risk at the reporting date is the carrying value of these investment in wealth management products. None of the investment is either past due or impaired.

(b) *Unlisted investments*

The Group's unlisted investments assets include investment in certain privately companies. Movements of unlisted investments were as follows:

	Year ended December 31,			Nine months ended
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
At the beginning of the year/period	—	—	—	32,801
Additions	—	—	20,000	6,000
Business combinations (Note 32)	—	—	12,801	—
At the end of the year/period	<u>—</u>	<u>—</u>	<u>32,801</u>	<u>38,801</u>

19 **Deferred income tax**

The analysis of deferred income tax assets and liabilities is as follows:

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
Total gross deferred tax assets	3,378	385	3,852	4,474
Offsetting	—	(385)	(355)	(15)
Net deferred tax assets	<u>3,378</u>	<u>—</u>	<u>3,497</u>	<u>4,459</u>
- to be recovered within 12 months	3,378	—	1,614	1,517
- to be recovered after 12 months	—	—	1,883	2,942
	<u>3,378</u>	<u>—</u>	<u>3,497</u>	<u>4,459</u>
Total gross deferred tax liabilities	—	4,535	222,131	201,134
Offsetting	—	(385)	(355)	(15)
Net deferred tax liabilities	<u>—</u>	<u>4,150</u>	<u>221,776</u>	<u>201,119</u>
- to be recovered within 12 months	—	4,150	26,481	23,328
- to be recovered after 12 months	—	—	195,295	177,791
	<u>—</u>	<u>4,150</u>	<u>221,776</u>	<u>201,119</u>
Deferred tax assets/(liabilities), net	<u>3,378</u>	<u>(4,150)</u>	<u>(218,279)</u>	<u>(196,660)</u>

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Tax losses	Impairment of accounts receivables	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2015				
Charge to consolidated statements of comprehensive income	<u>2,718</u>	<u>660</u>	<u>—</u>	<u>3,378</u>
As at December 31, 2015	<u>2,718</u>	<u>660</u>	<u>—</u>	<u>3,378</u>
Charge to consolidated statements of comprehensive income	<u>(2,718)</u>	<u>(275)</u>	<u>—</u>	<u>(2,993)</u>
As at December 31, 2016	<u>—</u>	<u>385</u>	<u>—</u>	<u>385</u>
Business combinations (Note 32)	<u>—</u>	<u>—</u>	<u>106</u>	<u>106</u>
Charge to consolidated statements of comprehensive income	<u>—</u>	<u>1,853</u>	<u>1,508</u>	<u>3,361</u>
As at December 31, 2017	<u>—</u>	<u>2,238</u>	<u>1,614</u>	<u>3,852</u>
Charge to consolidated statements of comprehensive income	<u>—</u>	<u>717</u>	<u>(10)</u>	<u>707</u>
Disposal of Jietong Wuxian	<u>—</u>	<u>—</u>	<u>(85)</u>	<u>(85)</u>
As at September 30, 2018	<u>—</u>	<u>2,955</u>	<u>1,519</u>	<u>4,474</u>

Deferred tax liabilities

	Convertible bonds	Change in fair value of financial assets at fair value through profit or loss	Intangible assets acquired in business combinations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2016	—	—	—	—
Charge to consolidated statements of comprehensive income	(1,248)	—	—	(1,248)
Charge to consolidated statement of changes in equity	<u>5,783</u>	<u>—</u>	<u>—</u>	<u>5,783</u>
As at December 31, 2016	<u>4,535</u>	<u>—</u>	<u>—</u>	<u>4,535</u>
Business combinations	—	—	229,182	229,182
Charge to consolidated statements of comprehensive income	(3,309)	785	(7,836)	(10,360)
Charge to consolidated statement of changes in equity	<u>(1,226)</u>	<u>—</u>	<u>—</u>	<u>(1,226)</u>
As at December 31, 2017	<u>—</u>	<u>785</u>	<u>221,346</u>	<u>222,131</u>
Charge to consolidated statements of comprehensive income	—	(348)	(17,556)	(17,904)
Disposal of Jietong Wuxian	<u>—</u>	<u>(6)</u>	<u>(3,087)</u>	<u>(3,093)</u>
As at September 30, 2018	<u>—</u>	<u>431</u>	<u>200,703</u>	<u>201,134</u>

Deferred income tax assets are recognized for tax losses carrying forward and deductible temporary differences to the extent that realisation of the related tax benefits through future taxable profits is probable. As at December 31, 2015, 2016 and 2017, and as at September 30, 2018, the Group did not recognize deferred income tax assets in respect of losses and deductible temporary differences of approximately nil, RMB16,644,000, RMB82,621,000 and RMB15,869,000, respectively. These tax losses will expire from 2018 to 2022.

20 Inventories

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
Movie service related merchandises	1,787	—	2,961	4,832
Low-value consumables	—	—	460	1,589
Marketing materials	—	288	225	5,093
	<u>1,787</u>	<u>288</u>	<u>3,646</u>	<u>11,514</u>

21 Accounts receivables

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
Related parties (Note 35)	—	1,980	6,145	49,743
Third parties	<u>191,380</u>	<u>140,388</u>	<u>313,808</u>	<u>341,303</u>
	191,380	142,368	319,953	391,046
Less: allowance for impairment	<u>(2,642)</u>	<u>(1,541)</u>	<u>(8,953)</u>	<u>(11,820)</u>
	<u>188,738</u>	<u>140,827</u>	<u>311,000</u>	<u>379,226</u>

- (a) The carrying amounts of the accounts receivables balances approximated to their fair value as at December 31, 2015, 2016 and 2017 and as at September 30, 2018. All the accounts receivables balances were denominated in RMB.
- (b) Online advertising customers and agencies are usually granted with a credit period of 90 days after full execution of the contracted advertisement orders. Aging analysis of the gross accounts receivables based on recognition date is as follows:

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
0-90 days	129,620	131,971	178,245	111,906
90-180 days	50,719	7,088	80,622	148,605
180-365 days	11,041	3,309	55,432	46,208
Over 365 days	—	—	5,654	84,327
	<u>191,380</u>	<u>142,368</u>	<u>319,953</u>	<u>391,046</u>

(c) Movement on the Group's allowance for impairments of accounts receivables are as follows:

	Year ended December 31,			Nine months ended
				September 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	—	(2,642)	(1,541)	(8,953)
Impairment provision	(2,642)	1,101	(7,412)	(2,867)
At the end of the year/period	(2,642)	(1,541)	(8,953)	(11,820)

(d) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses below have also incorporated forward looking information. The loss allowance provisions as at December 31, 2015, 2016 and 2017 and September 30, 2018 are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	Over 6 months past due	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2015					
Expected loss rate	0.05%	1.00%	2.00%	3.00%	
Gross carrying amount	—	129,620	50,719	11,041	191,380
Loss allowance provision	—	1,297	1,014	331	2,642
As at December 31, 2016					
Expected loss rate	0.05%	1.00%	2.00%	3.00%	
Gross carrying amount	2,100	129,871	7,088	3,309	142,368
Loss allowance provision	1	1,299	142	99	1,541
As at December 31, 2017					
Expected loss rate	0.05%	1.00%	2.00%	9.35%	
Gross carrying amount	16,300	161,944	80,622	61,087	319,953
Loss allowance provision	8	1,619	1,612	5,714	8,953
As at September 30, 2018					
Expected loss rate	0.05%	1.00%	2.00%	6.05%	
Gross carrying amount	2,855	109,546	151,627	127,018	391,046
Loss allowance provision	1	1,095	3,033	7,691	11,820

Since the actual loss rates for each type of the trade receivables and the adjustments for forward looking macroeconomic data did not have significant changes during the Track Record Period, the directors of the Company consider that the changes in the expected credit loss rate for provision matrix are insignificant throughout the Track Record Period.

22 Prepayments, deposits and other receivables

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
Amounts due from related parties (Note 35)	62	—	389,144	220,902
Deposits for online entertainment ticketing and e-commerce services	344,585	280,971	320,089	861,552
Prepayment for investments in movies and TV series	8,800	18,351	32,796	433,432
Value-added tax allowance	1,764	5,997	45,684	69,263
Prepayment for ticketing system cost	—	11,792	60,034	44,811
Prepaid income tax	—	—	8,876	5,578
Staff advances	318	2,078	11,444	14,765
Others	1,250	1,820	7,420	28,711
Less: allowance for impairment of other receivables (Note (a))	—	—	—	—
	<u>356,779</u>	<u>321,009</u>	<u>875,487</u>	<u>1,679,014</u>

(a) The carrying amounts of the prepayments, deposits and other receivables (excluding prepayments) approximated to their fair value as at December 31, 2015, 2016 and 2017 and September 30, 2018. Their recoverability was assessed with reference to the credit status of the recipients, and there is no expected credit loss for future 12 months.

23 Cash and cash equivalents

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
Cash in hand	—	—	8	—
Bank balances	63,749	1,102,226	1,170,122	1,210,602
Cash and cash equivalents	<u>63,749</u>	<u>1,102,226</u>	<u>1,170,130</u>	<u>1,210,602</u>
Maximum exposure to credit risk	<u>63,749</u>	<u>1,102,226</u>	<u>1,170,122</u>	<u>1,210,602</u>

Bank balances are denominated in the following currencies:

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
RMB	63,749	1,102,226	1,168,745	869,005
USD	—	—	—	340,944
HKD	—	—	1,367	653
MYR	—	—	10	—
	<u>63,749</u>	<u>1,102,226</u>	<u>1,170,122</u>	<u>1,210,602</u>

24 Borrowings

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
Current				
Bank borrowings - due within one year				
- Secured (Note (a))	—	—	—	200,000
- Guaranteed (Note (b))	—	—	—	200,000
- Unsecured (Note (c))	—	—	—	100,000
	<u>—</u>	<u>—</u>	<u>—</u>	<u>500,000</u>

- (a) The secured borrowing of RMB200,000,000 with a fixed rate of 4.35% per annum was secured by the wealth management products of RMB208,700,000.
- (b) The guaranteed borrowing of RMB200,000,000 was guaranteed by a subsidiary of the Group, Beijing Maoyan, with a fixed rate of 4.785% per annum.
- (c) The unsecured borrowing of RMB100,000,000 was arranged at fixed rate of 4.785% per annum.
- (d) The borrowings at September 30, 2018 were all denominated in RMB.

25 Convertible bonds

	<u>Liability</u>	<u>Equity</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
Face value of convertible bonds issued during 2016	376,871	23,129	400,000
Carrying amount on initial recognition	376,871	23,129	400,000
Accumulated interest expense accrued at effective interest rate	<u>4,991</u>	<u>—</u>	<u>4,991</u>
Carrying amount as at December 31, 2016	<u>381,862</u>	<u>23,129</u>	<u>404,991</u>
Carrying amount as at January 1, 2017	381,862	23,129	404,991
Accumulated interest expense accrued at effective interest rate	13,236	—	13,236
Termination of conversion right	4,902	(23,129)	(18,227)
Repayment of convertible bonds during 2017	<u>(400,000)</u>	<u>—</u>	<u>(400,000)</u>
Carrying amount as at December 31, 2017 and September 30, 2018	<u>—</u>	<u>—</u>	<u>—</u>

In August and September 2016, Tianjin Maoyan Weying completed the issuance of convertible bonds at a par value of RMB400 million to Enlight Investment. The bonds bear interest rate of zero per annum with maturity of 1.37 years and 1.29 years respectively from the issuance date and can be converted into shares at the holder's option ("conversion right") from the bonds issuance date prior to the maturity date. The conversion price is determined based on the Tianjin Maoyan Weying's valuation prior to the issuance of convertible bonds, which amounted to RMB8,333 million.

The fair value of the liability component was calculated at the respective date of issuance using an interest rate that would be available at that date to Tianjin Maoyan Weying for a non-convertible bond with equivalent terms ("effective interest rate"). The residual amount, being the par value of the bonds less the fair value of the liability component, represents the value of the equity conversion option. Interest expense on the carrying amount of the liability component is accrued at the effective interest rate of 4.75% to adjust the carrying amount of the liability component to its amortized cost, being the present value of the expected future cash flows relating to periodic interest payments and principal repayment at par value at the maturity date.

In September 2017, Enlight Investment gave up its conversion right. In November 2017, Tianjin Maoyan Weying fully repaid the bonds.

26 Financial liabilities at fair value through profit or loss

	Year ended December 31,			Nine months ended
				September 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	—	—	—	—
Addition	—	—	—	350,011
Change in fair value	—	—	—	3,075
Closing balance	—	—	—	353,086

On July 24, 2018, the Company and Cheshire Investments Fund entered into a convertible bond subscription agreement which was further amended on July 30, 2018 (the "Subscription Agreement"), pursuant to which, the Company agreed to issue, and Cheshire Investments Fund agreed to subscribe for a convertible bond in the principal amount of USD50,955,200 (equivalent to approximately RMB350,011,000) with 5% interest rate per annum and maturity date on July 28, 2019.

According to the Subscription Agreement, upon the Listing of the Company, the principal amount and the accrued but unpaid interest of the convertible bond shall be mandatorily and automatically converted to the Company's shares at the offer price. As the amount of the liabilities fluctuates in response to the Listing date and the number of shares to be issued by the Company to settle the liabilities is variable in response to the offer price rather than a fixed number, the convertible bonds were classified as a financial liability and designated as financial liabilities at fair value through profit or loss.

The initial value of the financial liability of approximately RMB350,011,000 was calculated using market interest rate and the expected Listing date. The financial liability is subsequently stated at fair value until conversion or maturity of the bond. The changes of the fair value was recognized to the consolidated statement of comprehensive income.

27 Accounts payables

Aging analysis of the accounts payables based on invoice date at the respective balance sheet dates is as follows:

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
0-90 days	36,096	117,446	191,438	217,246
90-180 days	—	5,773	108,574	47,014
180-365 days	—	1,526	20,042	29,850
Over 365 days	—	—	11,144	31,697
	<u>36,096</u>	<u>124,745</u>	<u>331,198</u>	<u>325,807</u>

28 Other payables, accruals and other liabilities

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
Amounts due to related parties (Note 35)	982,116	112,911	293,281	96,486
Payables in respect of share in the box office receipts (Note (a))	—	7,058	625,321	433,141
Payables in respect of online entertainment ticketing and e-commerce services (Note (b))	816,179	875,031	1,917,365	1,409,937
Payroll and welfare payable	12,620	26,357	50,084	65,601
Other tax liabilities	1,233	12,327	38,616	21,476
Others	—	999	7,884	34,833
	<u>1,812,148</u>	<u>1,034,683</u>	<u>2,932,551</u>	<u>2,061,474</u>

- (a) It represents the box office share received on behalf of the movie producers. This amount will be paid to the movie producers and others and therefore is not considered as trade payables to the Group's suppliers.
- (b) It represents the cash paid by the users for the movie/event ticket, after deducting the commission fee entitled by the Group, it will be remitted back to cinemas/theaters. As such amount is paid to cinemas/theaters, which are the Group's customers instead of the suppliers. The Group recognizes it as "Other payables".

29 Share Capital

	Number of shares	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000
Issued and fully paid:			
As at December 8, 2017 (date of incorporation)	1	—	—
As at December 31, 2017	1	—	—
Issuance of ordinary shares to the Registered Shareholders of Tianjin Maoyan Weying under the Reorganization	184,550,428	18.4	125
Issuance of ordinary shares pursuant to restricted share agreement as part of the Reorganization (Note (b))	3,855,445	0.4	3
Issuance of preferred shares to the Registered Shareholders of Tianjin Maoyan Weying under the Reorganization (Note (c))	<u>4,831,385</u>	<u>0.5</u>	<u>3</u>
As at September 30, 2018	193,237,259	19.3	131
Treasury shares (Note (b))	<u>(1,285,148)</u>	<u>(0.1)</u>	<u>(1)</u>
As at September 30, 2018	<u>191,952,111</u>	<u>19.2</u>	<u>130</u>

- (a) The Company was incorporated in the Cayman Islands on December 8, 2017 with authorised share capital of USD50,000 divided into 500,000,000 shares of USD0.0001 each.
- (b) As part of the Reorganization (Note 1.2), 3,855,455 ordinary shares were issued to Rhythm Brilliant Limited, a wholly-owned subsidiary of Mr. ZHENG Zhihao, pursuant to the restricted share agreement and fully paid on July 23, 2018. 2,570,297 ordinary shares were vested and the remaining 1,285,148 unvested shares are accounted for as the treasury shares of the Company as at September 30, 2018 (Note 31).
- (c) On July 20, 2018, the Company issued 4,831,400 preferred shares to Image Flag Investment (HK) Limited, a wholly-owned subsidiary of Tencent as part of the Reorganization. The key terms of the preferred shares are summarized as follows:

Conversion

The preferred shares shall be converted into ordinary shares at the option of the holders any time, or automatically be converted into ordinary share at an initial conversion ratio of 1:1, without the payment of any additional consideration, upon (i) the closing of an initial public offering of the ordinary shares of the Company on a recognized national or international stock exchange acceptable to the board of the Company; or (ii) the written consent of holder of preferred shares.

The conversion ratio and conversion price shall be adjusted from time to time for (i) share split and combinations, (ii) ordinary share dividends and distributions, (iii) reorganizations, mergers, consolidations, reclassifications, exchanges and substitutions, and etc.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the shareholders of the Company (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to shareholders of the Company as follows:

- (i) The holder of the preferred shares should be entitled to receive, prior to and in preference to any distribution of any of the assets or funds of the Company to the holders of the ordinary shares, preference amount equal to the sum of the original issue price of plus annual interest calculated at a simple interest rate of eight percent (8%) per annum and the declared but unpaid dividends.
- (ii) After distribution or paying in full the liquidation preference amount to all of the holder of preferred shares, the remaining assets and funds of the Company available for distribution to the shareholders shall be distributed ratably among all shareholders according to the relative number of shares held by such shareholders on an as-converted basis.

Dividends Rights

In the event of any distribution of dividends declared by a resolution passed unanimously by all the shareholders of the Company, all the then shareholders (includes the preferred shareholder) of the Company shall be entitled to receive such distributable profits after taxation on a pro rata basis.

Voting Rights

Each shareholder of the Company shall exercise their voting rights on a pro rata basis in proportion to their respective numbers of ordinary share (on an as-converted and fully diluted basis).

30 Reserves

	Capital reserves	Currency translation differences	Convertible bonds	Share-based compensation reserve	Other reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2015	—	—	—	—	—	—
Capital injection	50,000	—	—	—	—	50,000
Share-based compensation expenses	—	—	—	27,348	—	27,348
As at December 31, 2015	<u>50,000</u>	<u>—</u>	<u>—</u>	<u>27,348</u>	<u>—</u>	<u>77,348</u>
As at January 1, 2016	<u>50,000</u>	<u>—</u>	<u>—</u>	<u>27,348</u>	<u>—</u>	<u>77,348</u>
Capital injection	5,556	—	—	—	—	5,556
Share-based compensation expenses	—	—	—	202,712	—	202,712
Contribution from equity holders	(28,619)	—	—	—	—	(28,619)
Convertible bonds -equity component, net of tax	—	—	17,347	—	—	17,347
As at December 31, 2016	<u>26,937</u>	<u>—</u>	<u>17,347</u>	<u>230,060</u>	<u>—</u>	<u>274,344</u>
As at January 1, 2017	<u>26,937</u>	<u>—</u>	<u>17,347</u>	<u>230,060</u>	<u>—</u>	<u>274,344</u>
Capital injection	500,000	—	—	—	—	500,000
Professional service fee related to equity financing	(16,000)	—	—	—	—	(16,000)
Business combinations (Note 32)	4,667,820	—	—	—	—	4,667,820
Currency translation difference	—	(140)	—	—	—	(140)
Share-based compensation expenses	—	—	—	184,542	—	184,542
Contribution from equity holders	257,142	—	—	—	—	257,142
Transaction with non-controlling interests	—	—	—	—	(8,400)	(8,400)
Termination of convertible bonds	—	—	(21,023)	—	—	(21,023)
As at December 31, 2017	<u>5,435,899</u>	<u>(140)</u>	<u>(3,676)</u>	<u>414,602</u>	<u>(8,400)</u>	<u>5,838,285</u>
(Unaudited)						
As at January 1, 2017	<u>26,937</u>	<u>—</u>	<u>17,347</u>	<u>230,060</u>	<u>—</u>	<u>274,344</u>
Business combination (Note 32)	4,667,820	—	—	—	—	4,667,820
Share-based compensation expenses	—	—	—	151,339	—	151,339
Contribution from equity holders	257,142	—	—	—	—	257,142
Termination of convertible bonds	—	—	(21,023)	—	—	(21,023)
As at September 30, 2017	<u>4,951,899</u>	<u>—</u>	<u>(3,676)</u>	<u>381,399</u>	<u>—</u>	<u>5,329,622</u>
As at January 1, 2018	<u>5,435,899</u>	<u>(140)</u>	<u>(3,676)</u>	<u>414,602</u>	<u>(8,400)</u>	<u>5,838,285</u>
Settlement to the purchase consideration for the acquisition for Beijing Weige Shidai	156,400	—	—	—	—	156,400
Currency translation difference	—	400	—	—	—	400
Share-based compensation expenses	—	—	—	99,288	—	99,288
As at September 30, 2018	<u>5,592,299</u>	<u>260</u>	<u>(3,676)</u>	<u>513,890</u>	<u>(8,400)</u>	<u>6,094,373</u>

31 Share incentive plan

(a) 2016 ESOP of Tianjin Maoyan Weying

Before the Reorganization and since 2016, Tianjin Maoyan Weying adopted 2016 ESOP, under which Tianjin Maoyan Weying granted share options to its qualified employees and directors on annual basis. Under the 2016 ESOP, Tianjin Maoyan Weying's total equity will be divided to 8.3 billion virtual shares, among which 830 million virtual shares held by the ESOP Platforms for the purpose of share-based payments. The vesting period of the share options under the 2016 ESOP is 4 years.

The share-based compensation expenses recognized during the Track Record Period are summarized in the following table:

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Share-based compensation expenses	—	102,635	173,284	140,081	99,288

Movements of virtual share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price	Number of virtual share options	Equivalent number of share options of the Company
Outstanding balance as at January 1, 2016	—	—	—
Granted	RMB0.0067	442,738,931	6,827,822
Outstanding balance as at December 31, 2016	RMB0.0067	<u>442,738,931</u>	<u>6,827,822</u>
Granted	RMB0.0067	15,350,000	236,724
Forfeited	RMB0.0067	(19,394,126)	(299,092)
Outstanding balance as at December 31, 2017	RMB0.0067	<u>438,694,805</u>	<u>6,765,454</u>
Granted	RMB1.4800	350,938,992	5,412,104
Forfeited	RMB0.4382	(15,359,723)	(236,874)
Transfer to the share options of the Company under Pre-IPO Share Option Scheme (Note (b)(i))	RMB0.5541	(524,274,074)	(8,085,239)
Transfer to restricted shares (Note (b)(ii))	RMB0.0067	(250,000,000)	(3,855,445)
Outstanding balance as at September 30, 2018		<u>—</u>	<u>—</u>

As at December 31, 2016 and 2017, out of the 442,738,931 and 438,694,805 virtual outstanding options, Nil and 110,473,600 options were exercisable.

Fair value of options

The Group has used the Binomial Model to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period. The virtual share weighted average fair value of the virtual share options granted by Tianjin Maoyan Weying during the years ended December 31, 2016 and 2017 and nine months ended September 30, 2018 was RMB1.00 per share, RMB1.31 per share, and RMB0.57 per virtual share respectively.

Other than the exercise price mentioned above, significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, are required to be made by the directors in applying the Binomial Model, which are summarized as below.

	2016	2017	2018
Risk free rate	2.4%~2.9%	2.8%~3.8%	1.9%~2.2%
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	30%~35%	30%	35%

The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the comparable companies.

Expected retention rate

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the virtual share options (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated statements of comprehensive income. As at December 31, 2016 and 2017 and September 30, 2018, the Expected Retention Rate was assessed to be 100%, 96% and 95%, respectively.

As part of the Reorganization, pursuant to a resolution of the board on July 23, 2018, the 2016 ESOP of Tianjin Maoyan Weying was replaced by the newly adopted the ESOP Plan of the Company, and the relevant granted virtual share options under 2016 ESOP of Tianjin Maoyan Weying have been replaced by the share options of the Pre-IPO Share Option Scheme of the Company and the restricted shares of the Company, respectively.

(b) *ESOP Plan of the Company*

In order to provide incentives and rewards to directors, senior management and employees of the Group and other eligible individuals and entities, the Company adopted the ESOP Plan on July 23, 2018. The total number of shares issued or issuable pursuant to the ESOP Plan shall not be more than 23,406,741 shares of the Company, representing approximately 12% of the total issued share capital of the Company as at September 30, 2018, out of which, the maximum number of shares that may be issued upon exercise of all options granted and to be granted under the Pre-IPO Share Option Scheme shall be no more than 8,508,920 shares, and the total number of shares which may be issued upon exercise of options that may be granted under the Post-IPO Share Option Scheme and the RSU Scheme shall not exceed 11,042,376 shares in aggregate.

(i) *Pre-IPO Share Option Scheme*

The Pre-IPO Share Option Scheme was adopted by the Company as a continuation and restructuring of the 2016 ESOP following the Reorganization, which was established to recognize and reward the contribution of the participants to the growth and development of Tianjin Maoyan Weying. The 2016 ESOP was terminated as a result of the adoption of the Pre-IPO Share Option Scheme.

During the nine months ended September 30, 2018, 8,085,239 share options under the Pre-IPO Share Option Scheme have been granted as part of the Reorganization and as a replacement of the granted virtual share options to the employees under 2016 ESOP plan of Tianjin Maoyan Weying, and there were no incremental benefit with same vesting period, condition and exercise price granted to the employee under the Pre-IPO Share Option Scheme. As at September 30, 2018, out of 8,085,239 share options, 1,237,120 share options were exercisable.

(ii) *Restricted share agreement*

As part of the Reorganization, and the continuation/replacement of the virtual share options granted to Mr. ZHENG Zhihao under 2016 ESOP of Tianjin Maoyan Weying, the Company, Mr. ZHENG Zhihao and Rhythm Brilliant Limited, a wholly-owned subsidiary of Mr. ZHENG Zhihao, entered into a restricted share agreement on July 20, 2018 by payment of exercise price of virtual shares of USD386 and approved by the shareholders on July 23, 2018 (the "Adoption Date"). Subject to the restricted share agreement, a total of 3,855,445 shares of the Company as at Adoption Date, owned by Mr. ZHENG Zhihao through Rhythm Brilliant Limited, were designated as restricted shares. The restricted share agreement was a continuation of the 2016 ESOP to provide incentives and rewards to Mr. ZHENG Zhihao, as the CEO of the Company, with same vesting period, condition and no incremental benefit was given to Mr. ZHENG Zhihao under the restricted share agreement.

As at July 23, 2018 and September 30, 2018, out of 3,855,455 restricted shares, 2,570,297 shares were vested. The remaining 1,285,148 shares represented the treasury shares of the Group as at September 30, 2018 (Note 29).

(iii) *Post-IPO Share Option Scheme and RSU Scheme*

During the nine months ended September 30, 2018, no share option and RSU under the Post-IPO Share Option Scheme and RSU Scheme has been granted.

32 **Business combinations**

(a) *Acquisition of Beijing Weige Shidai and Ruihai Fangyuan*

On September 25, 2017, Tianjin Maoyan Weying acquired 100% equity interests of Beijing Weige Shidai from Beijing Weying Shidai and acquired 100% equity interests of Ruihai Fangyuan from Linzhi Lixin.

According to the acquisition agreements, the valuation of Tianjin Maoyan Weying was approximately RMB9 billion (with a total registered capital of RMB55,555,555 and the total valuation of Beijing Weige Shidai and Ruihai Fangyuan was around RMB4.8 billion, and the consideration for the acquisition of Beijing Weige Shidai and Ruihai Fangyuan shall be paid in two instalments in the form of the Tianjin Maoyan Weying's newly registered capital of RMB29,779,000. The first installment was paid on September 25, 2017, in which Tianjin Maoyan Weying issued registered capital of RMB28,814,000 with fair value of RMB4,667,820,000. The second installment payment of consideration of Tianjin Maoyan Weying's registered capital of RMB965,000 with fair value of RMB156,400,000 is to be paid after 9 months of the acquisition date. Upon the completion of the acquisition, the original equity holders of Beijing Weige Shidai and Ruihai Fangyuan will hold approximately 35% equity interests of Tianjin Maoyan Weying.

The determination of the fair value of Tianjin Maoyan Weying and the fair value of the consideration of the acquisition was made with reference to the latest shareholders' transaction that Enlight Investment acquired 19.7% equity interests in Tianjin Maoyan Weying from Shanghai Sankuai Technology, a subsidiary of Meituan Dianping with a cash consideration of RMB1,776,000,000 on August 25, 2017, which was also based on the same valuation of Tianjin Maoyan Weying of RMB9 billion.

The following table summarizes the consideration paid/payable for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Purchase consideration settled by Tianjin Maoyan Weying's registered capital	4,667,820
Purchase consideration to be settled by Tianjin Maoyan Weying's registered capital	<u>156,400</u>
	<u>4,824,220</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	7,587
Intangible assets	1,118,214
Trademark	683,959
Software	14,312
Business cooperation agreement	245,111
Customer relationship	174,832
Investments accounted for using the equity method	12,300
Financial assets at fair value through profit or loss	12,801
Inventories	233
Accounts receivables	46,091
Prepayments, deposits and other receivables	334,430
Cash and cash equivalents	8,780
Accounts payables	(99,562)
Other payables, accruals and other liabilities	(835,483)
Deferred income tax liabilities	<u>(225,975)</u>
Total identifiable net assets	379,416
Non-controlling interests	(7,170)
Goodwill	<u>4,451,974</u>
	<u>4,824,220</u>

The goodwill of approximately RMB4,451,974,000 recognized represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired and is attributable to the acquired market shares and economies of scale expected to be derived from combining with the operations of the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

If the acquisitions had occurred on January 1, 2017, consolidated pro-forma revenue and loss for the year ended December 31, 2017 would have been increased by RMB496,204,000 and RMB349,939,000 respectively.

(b) *Acquisition of Jietong Wuxian*

On June 26, 2017, Tianjin Maoyan Weying acquired 68.55% equity interests of Jietong Wuxian from Enlight Media, a shareholder of the Company.

The goodwill of approximately RMB117,280,000 recognized represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired and is attributable to the acquired market shares and economies of scale expected to be derived from combining with the operations of the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table summarizes the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Purchase consideration in cash	<u>130,733</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2,867
Intangible assets	12,908
Trademark	2,780
Software	10,128
Financial assets at fair value through profit or loss	30,000
Deferred income tax assets	106
Inventories	52
Accounts receivables	13,062
Prepayments, deposits and other receivables	34,375
Cash and cash equivalents	18,437
Accounts payables	(580)
Other payables, accruals and other liabilities	(88,396)
Deferred income tax liabilities	<u>(3,207)</u>
Total identifiable net assets	19,624
Non-controlling interests	(6,171)
Goodwill	<u>117,280</u>
	<u>130,733</u>

The acquired business contributed revenue of RMB13,583,000 and net loss of RMB241,000 to the Group for the period from the acquisition date to December 31, 2017. The acquisition-related costs were not significant and had been charged to general and administrative expenses in the consolidated statement of comprehensive income for the year ended December 31, 2017.

If the acquisition had occurred on January 1, 2017, pro-forma revenue and loss for the year ended December 31, 2017 would have been increased by RMB46,327,000 and RMB1,603,000 respectively.

On November 22, 2017, the Group acquired an additional 8.05% equity interest in Jietong Wuxian from another minority shareholder, for a cash consideration of RMB10,000,000. The carrying amount of such non-controlling interests in Jietong Wuxian on the date of acquisition was RMB1,600,000. The Group recognized the difference between the consideration with non-controlling interests of RMB8,400,000 within reserve. Upon completion of above acquisitions, Jietong Wuxian became a 76.6%-owned subsidiary of the Company.

33 Note to consolidated statements of cash flows

(a) Cash (used in)/generated from operations

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Loss before income tax	(1,300,810)	(498,334)	(75,834)	(94,722)	(145,239)
Adjustments for:					
- Share-based compensation expenses	27,348	202,712	184,542	151,339	99,288
- Impairment of goodwill arising from the acquisition of Jietong Wuxian	—	—	46,931	—	62,763
- Depreciation of property, plant and equipment	3,435	9,137	3,465	1,292	7,598
- Amortization of intangible assets	—	—	45,058	13,914	103,979
- Loss on disposals of property, plant and equipment	2,005	30,619	6,274	—	—
- Share of (profits)/losses of investments accounted for using the equity method	—	—	(1,439)	—	2,184
- Interest income on bank deposits	(29)	(1,387)	(1,991)	(1,361)	(2,578)
- Interest expenses on bank borrowings (Note 10)	—	—	—	—	4,038
- Impairment provision for trade receivables	2,642	(1,101)	7,412	6,745	2,867
- Fair value gain on financial assets at fair value through profit or loss	—	(4,322)	(25,702)	(15,646)	(15,250)

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
- Gains on disposal of subsidiaries	—	—	—	—	(3,832)
- Finance cost for convertible bond	—	4,991	13,236	13,236	—
- Fair value loss on financial liabilities at fair value through profit or loss	—	—	—	—	3,075
Cash (used in)/generated from operations before changes in working capital	(1,265,409)	(257,685)	201,952	74,797	118,893
Changes in working capital:					
- Inventories	(1,787)	1,499	(3,073)	(3,963)	(7,966)
- Accounts receivables	(132,781)	49,012	(118,432)	13,192	(93,279)
- Prepayments, deposits and other receivables	(259,614)	35,770	(176,797)	(1,193,149)	(819,055)
- Accounts payables	(213,885)	88,649	(612,226)	(117,660)	1,618
- Other payables, accruals and other liabilities	883,820	147,488	1,791,508	1,903,444	(612,829)
	<u>(989,656)</u>	<u>64,733</u>	<u>1,082,932</u>	<u>676,661</u>	<u>(1,412,618)</u>

(b) *Reconciliation of liabilities arising from financing activities*

This section sets out an analysis of net cash and the movements in net cash for each of the year/period presented.

Net cash

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	63,749	1,102,226	1,170,130	1,210,602
Liquid investments	—	—	963,139	293,427
Convertible bonds - repayable within one year	—	(381,862)	—	—
Liquid liabilities	—	—	—	(353,086)
Borrowings - due within one year	—	—	—	(500,000)
Net cash	<u>63,749</u>	<u>720,364</u>	<u>2,133,269</u>	<u>650,943</u>
Cash and liquid investment	63,749	1,102,226	2,133,269	1,504,029
Gross debt - fixed interest rates	—	(381,862)	—	(853,086)
Net cash	<u>63,749</u>	<u>720,364</u>	<u>2,133,269</u>	<u>650,943</u>

	Cash and cash equivalents	Liquid investments	Convertible bonds	Liquid liabilities	Borrowing due within 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at January 1, 2015	—	—	—	—	—	—
Cash flows	63,749	—	—	—	—	63,749
Net debt as at December 31, 2015	<u>63,749</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>63,749</u>
Net debt as at January 1, 2016	63,749	—	—	—	—	63,749
Cash flows	1,038,477	(4,322)	(400,000)	—	—	634,155
Value of conversion right	—	—	18,138	—	—	18,138
Changes in fair value	—	4,322	—	—	—	4,322
Net debt as at December 31, 2016	<u>1,102,226</u>	<u>—</u>	<u>(381,862)</u>	<u>—</u>	<u>—</u>	<u>720,364</u>
Net debt as at January 1, 2017	1,102,226	—	(381,862)	—	—	720,364
Cash flows	68,012	907,437	400,000	—	—	1,375,449
Foreign exchange adjustments	(108)	—	—	—	—	(108)
Business combinations	—	30,000	—	—	—	30,000
Interest and termination of conversion right	—	—	(18,138)	—	—	(18,138)
Changes in fair value	—	25,702	—	—	—	25,702
Net debt as at December 31, 2017	<u>1,170,130</u>	<u>963,139</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,133,269</u>
Net debt as at January 1, 2018	1,170,130	963,139	—	—	—	2,133,269
Cash flows	40,636	(649,955)	—	(350,011)	(500,000)	(1,459,330)
Foreign exchange adjustments	(164)	—	—	—	—	(164)
Disposal of Jietong Wuxian	—	(35,007)	—	—	—	(35,007)
Changes in fair value	—	15,250	—	(3,075)	—	12,175
Net debt as at September 30, 2018	<u>1,210,602</u>	<u>293,427</u>	<u>—</u>	<u>(353,086)</u>	<u>(500,000)</u>	<u>650,943</u>

34 Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are signed with third parties and renewable at the end of the lease period at market rate.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,			As at
	2015	2016	2017	September 30,
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
No later than 1 year	—	—	11,689	16,774
Later than 1 year and no later than 5 years	—	—	42,613	34,773
	—	—	54,302	51,547

35 Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

Name of the related parties	Nature of relationship
Meituan Dianping and its subsidiaries (collectively "Meituan Dianping Group")	One of the Company's shareholders
Enlight Investment and Enlight Media and their subsidiaries (collectively "Enlight Group")	One of the Company's shareholders
Beijing Weying Shidai and its subsidiaries (collectively "Beijing Weying Shidai Group")	One of the Company's shareholders
Tencent and its subsidiaries (collectively "Tencent Group")	One of the Company's shareholders

Save as disclosed in other notes above, the following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the Company's directors, the following related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

- (a) In May 2016, the Group entered into a strategic cooperation agreement and formed a strategic partnership with the shareholder, Meituan Dianping. As part of the strategic partnership, Meituan Dianping and the Group agreed to cooperate in a number of areas with no charge. The strategic cooperation agreement has a term of five years and applies within the PRC.

(b) *Revenue from transactions with related parties*

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Meituan Dianping Group	—	—	1,038	1,038	906
Enlight Group	—	18,482	106,837	73,630	104,402
Beijing Weying Shidai Group	—	2,830	6,283	—	168
Tencent Group	—	1,006	36	—	301
	—	22,318	114,194	74,668	105,777

(c) *Purchase of management services*

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Meituan Dianping Group	73,252	45,057	148,582	106,275	128,269
Enlight Group	—	3,864	58,410	1,221	943
Beijing Weying Shidai Group	—	472	349	324	—
Tencent Group	—	—	10,072	—	38,418
	73,252	49,393	217,413	107,820	167,630

(d) *Movie cards consideration received on behalf of the Group*

	Year ended December 31,			Nine months ended September 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Meituan Dianping Group	—	5,137	16,314	11,483	11,858
Enlight Group	—	210	698	212	1,886
Beijing Weying Shidai Group	—	—	30,529	—	42,926
Tencent Group	—	135	52	49	309
	—	5,482	47,593	11,744	56,979

(e) *Balances with related parties*

	As at December 31,			As at September 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Receivables from related parties				
- Accounts receivables (trade)				
Enlight Group	—	1,745	3,762	48,659
Beijing Weying Shidai Group	—	—	1,811	360
Tencent Group	—	235	572	724
	—	1,980	6,145	49,743
- Prepayments, deposits and other receivables (trade)				
Meituan Dianping Group	62	—	338,252	174,138
Beijing Weying Shidai Group	—	—	45,754	45,908
Tencent Group	—	—	2,138	828
Enlight Group	—	—	3,000	28
	62	—	389,144	220,902
Payables to related parties				
- Other payables, accruals and other liabilities (trade)				
Meituan Dianping Group	57,164	112,911	113,996	72,780
Enlight Group	—	—	135	281
Beijing Weying Shidai Group	—	—	22,750	21,366
Tencent Group	—	—	—	2,059
	57,164	112,911	136,881	96,486
- Other payables, accruals and other liabilities (non-trade)				
Meituan Dianping Group	924,952	—	—	—
Beijing Weying Shidai Group	—	—	156,400	—
	924,952	—	156,400	—
	982,116	112,911	293,281	96,486

The receivables and payables due from/to related parties are unsecured, interest-free and are repayable on demand.

36 Contingencies

The Group had no material contingent liabilities outstanding as at December 31, 2015, 2016 and 2017 and as at September 30, 2018.

37 Subsequent Events

On July 2, 2018, Tianjin Maoyan Weying and Huanxi Media Group Limited (“Huanxi Media”) entered into a Cooperation Agreement, pursuant to which and conditional upon satisfaction of the condition precedents therein, Tianjin Maoyan Weying (or its designated party) intends to subscribe for, and Huanxi Media intends to allot and issue, 15% of share capital in Huanxi Media (on diluted basis). As of the date of this report, the transaction is not completed.

On January 11, 2019, the shareholders of the Company resolved that all the issued and unissued ordinary shares and preferred shares were to be redesignated as ordinary shares on a one-for-one basis (the “Redesignation”) immediately before Listing. Following the Redesignation, each issued and unissued ordinary share of then par value of USD 0.0001 each will be subdivided into five shares of par value of USD0.00002 each (the “Subdivision”). Upon Listing and the completion of the Redesignation and Subdivision, the authorized share capital of the Company would increase to 2,500,000,000 ordinary shares of par value USD 0.00002 each (the “Subdivision Shares”).

On January 17, 2019, the board of directors of the Company resolved to modify the exercise price of certain share options, which have been granted to a designated group of employees under the Pre-IPO Share Option Scheme, from HKD 24.0367 of each Subdivision Shares to the lower of HKD24.0367 and the final offering price per share in connection with the Listing (the “Offer Price”). The incremental fair value of such granted share options at date of modification, if computed based on Offer Price, would be recognized as expense and charged to the consolidated statement of comprehensive income and amortised over the remaining vesting period.

Save as disclosed above or elsewhere in this report, there is no other subsequent event.

III. ADDITIONAL FINANCIAL INFORMATION OF BEIJING WEIGE SHIDAI FOR THE PRE-ACQUISITION PERIOD

Beijing Weige Shidai was acquired by the Group in September 2017. Beijing Weige Shidai and its subsidiaries are hereafter referred to as Weige Group. Following is the financial information of Weige Group for the two years ended December 31, 2015 and 2016 and the period ended September 25, 2017 (also being the pre-acquisition period from January 1, 2015 to September 25, 2017).

(1) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,		Period ended September 25,	
		2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	W1	172,793	521,444	424,252	496,204
Cost of revenue	W2	(59,744)	(164,789)	(131,059)	(151,535)
Gross profit		113,049	356,655	293,193	344,669
Selling and marketing expenses	W2	(1,114,066)	(1,249,129)	(1,139,570)	(521,017)
General and administrative expenses	W2	(64,580)	(198,000)	(149,166)	(152,259)
Other gains/(losses), net	W3	—	997	974	(21,247)
Operating loss		(1,065,597)	(1,089,477)	(994,569)	(349,854)
Finance income, net		—	16	9	15
Share of losses of investments accounted for using the equity method		—	—	—	(100)
Loss before income tax		(1,065,597)	(1,089,461)	(994,560)	(349,939)
Income tax expenses	W4	—	(17)	(17)	—
Loss for the year/period		<u>(1,065,597)</u>	<u>(1,089,478)</u>	<u>(994,577)</u>	<u>(349,939)</u>
Loss attributable to:					
- Equity holders of Beijing Weige Shidai		(1,065,594)	(1,085,875)	(991,956)	(347,242)
- Non-controlling interests		(3)	(3,603)	(2,621)	(2,697)
		<u>(1,065,597)</u>	<u>(1,089,478)</u>	<u>(994,577)</u>	<u>(349,939)</u>
Loss for the year/period		(1,065,597)	(1,089,478)	(994,577)	(349,939)
Other comprehensive income/(loss):					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Currency translation differences		—	794	97	(739)
Total comprehensive loss for the year/period		<u>(1,065,597)</u>	<u>(1,088,684)</u>	<u>(994,480)</u>	<u>(350,678)</u>
Total comprehensive loss attributable to:					
- Equity holders of Beijing Weige Shidai		(1,065,594)	(1,085,470)	(991,907)	(347,619)
- Non-controlling interests		(3)	(3,214)	(2,573)	(3,059)
		<u>(1,065,597)</u>	<u>(1,088,684)</u>	<u>(994,480)</u>	<u>(350,678)</u>

(2) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31,		As at
		2015	2016	September 25,
		RMB'000	RMB'000	2017
				RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment		3,617	11,919	7,587
Intangible assets	W5	1,068	13,281	14,312
Investments accounted for using the equity method	W6	—	4,900	12,300
Financial assets at fair value through profit or loss	W7	29,000	37,800	12,801
		<u>33,685</u>	<u>67,900</u>	<u>47,000</u>
Current assets				
Inventories		—	364	233
Accounts receivables	W8	107,922	146,105	46,091
Prepayments, deposits and other receivables	W9	103,211	163,038	334,430
Cash and cash equivalents		1,110	20,610	8,780
		<u>212,243</u>	<u>330,117</u>	<u>389,534</u>
Total assets		<u>245,928</u>	<u>398,017</u>	<u>436,534</u>
EQUITY				
Share capital		—	5,000	5,000
Reserves		—	405	399,044
Accumulated losses		(1,065,594)	(2,151,469)	(909,724)
Equity attributable to equity holders of Beijing Weige Shidai		<u>(1,065,594)</u>	<u>(2,146,064)</u>	<u>(505,680)</u>
Non-controlling interests		487	10,228	7,169
Total equity		<u>(1,065,107)</u>	<u>(2,135,836)</u>	<u>(498,511)</u>
LIABILITIES				
Current liabilities				
Accounts payables	W10	32,164	30,775	99,562
Other payables, accruals and other liabilities	W11	1,278,871	2,503,078	835,483
		<u>1,311,035</u>	<u>2,533,853</u>	<u>935,045</u>
Total liabilities		<u>1,311,035</u>	<u>2,533,853</u>	<u>935,045</u>
Total equity and liabilities		<u>245,928</u>	<u>398,017</u>	<u>436,534</u>

(3) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Beijing Weige Shidai			Non- controlling interests	Total equity	
	Paid-in capital	Reserves	Retained earnings			Total
	RMB'000	RMB'000	RMB'000			RMB'000
As at January 1, 2015	—	—	—	—	—	
Comprehensive loss						
Loss for the year	—	—	(1,065,594)	(3)	(1,065,597)	
Transactions with equity holders of Beijing Weige Shidai						
Capital injection from non-controlling interest	—	—	—	490	490	
As at December 31, 2015	—	—	(1,065,594)	487	(1,065,107)	
As at January 1, 2016	—	—	(1,065,594)	487	(1,065,107)	
Comprehensive loss						
Loss for the year	—	—	(1,085,875)	(3,603)	(1,089,478)	
Other comprehensive income						
- Currency translation differences	—	405	—	389	794	
Transactions with equity holders of Beijing Weige Shidai						
Paid in capital	5,000	—	—	—	5,000	
Capital injection from non-controlling interest	—	—	—	12,955	12,955	
As at December 31, 2016	5,000	405	(2,151,469)	10,228	(2,135,836)	

	Attributable to equity holders of the Beijing Weige Shidai				Non- controlling interests	Total equity
	Share capital	Reserves	Retained earnings	Total		
(Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2016	—	—	(1,065,594)	(1,065,594)	487	(1,065,107)
Comprehensive income						
Loss for the period	—	—	(991,956)	(991,956)	(2,621)	(994,577)
Other comprehensive income	—	—	—	—	—	—
- Currency translation differences	—	49	—	49	48	97
Transactions with equity holders of Beijing Weige Shidai						
Paid in capital	5,000	—	—	5,000	—	5,000
Capital injection to subsidiary by non-controlling interests	—	—	—	—	12,955	12,955
As at September 25, 2016	<u>5,000</u>	<u>49</u>	<u>(2,057,550)</u>	<u>(2,052,501)</u>	<u>10,869</u>	<u>(2,041,632)</u>
As at January 1, 2017	<u>5,000</u>	<u>405</u>	<u>(2,151,469)</u>	<u>(2,146,064)</u>	<u>10,228</u>	<u>(2,135,836)</u>
Comprehensive income						
Loss for the period	—	—	(347,242)	(347,242)	(2,697)	(349,939)
Other comprehensive loss	—	—	—	—	—	—
- Currency translation differences	—	(377)	—	(377)	(362)	(739)
Transactions with equity holders of Beijing Weige Shidai						
Contribution from equity holders	—	399,016	1,588,987	1,988,003	—	1,988,003
As at September 25, 2017	<u>5,000</u>	<u>399,044</u>	<u>(909,724)</u>	<u>(505,680)</u>	<u>7,169</u>	<u>(498,511)</u>

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,		Period ended September 25,	
		2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities					
Cash used in operations	W12	(909,936)	(1,045,216)	(1,160,682)	(1,993,045)
Income tax paid		—	(17)	(17)	—
Net cash used in operating activities	W12	<u>(909,936)</u>	<u>(1,045,233)</u>	<u>(1,160,699)</u>	<u>(1,993,045)</u>
Cash flows from investing activities					
Purchases of property, plant and equipment		—	(10,004)	(1,445)	(602)
Proceeds from disposal of property, plant and equipment		—	—	—	68
Purchases of intangible assets		(1,162)	(920)	(884)	(2,511)
Payments for financial assets at fair value through profit or loss		(1,000)	(8,800)	(8,800)	—
Proceeds from disposals of financial assets at fair value through profit or loss		—	—	—	3,800
Capital injection to an associate		—	(4,900)	(4,900)	(7,500)
Interest received		—	16	9	15
Net cash used in investing activities		<u>(2,162)</u>	<u>(24,608)</u>	<u>(16,020)</u>	<u>(6,730)</u>
Cash flows from financing activities					
Proceeds from capital injection		—	5,000	5,000	—
Financing from the equity holders		913,208	1,082,053	1,189,563	1,988,003
Contribution from a minority shareholder		—	1,959	1,959	—
Net cash generated from financing activities		<u>913,208</u>	<u>1,089,012</u>	<u>1,196,522</u>	<u>1,988,003</u>
Net increase/(decrease) in cash and cash equivalents		1,110	19,171	19,803	(11,772)
Cash and cash equivalents at beginning of year/period		—	1,110	1,110	20,610
Exchange difference		—	329	329	(58)
Cash and cash equivalents at end of year/period		<u>1,110</u>	<u>20,610</u>	<u>21,242</u>	<u>8,780</u>

Basis of presentation

In 2017, Beijing Weying Shidai entered in a spin-off agreement with Beijing Weige Shidai, pursuant to which the online movie ticketing business, including relevant management and employees as well as operating assets and liabilities previously owned by Beijing Weying Shidai were transferred to Beijing Weige Shidai.

The financial statements of Weige Group, including the movie ticketing business spin off from Beijing Weying Shidai (“Weying Spin-off business”) for the years ended December 31, 2015 and 2016 and periods ended September 25, 2016 and 2017 are presented in the following manner.

Transactions and balances of Beijing Weying Shidai specifically identified as relating to the Weying Spin-off business were consolidated in the financial statements, while those specifically identified as relating to the other Beijing Weying Shidai’s business (“Other Weying business”) were not included in the financial information.

The tax charge attributable to the Beijing Weying Shidai is based on the tax charge attributable to the individual entity in the relevant individual tax jurisdictions, on a separate return basis. Pursuant to the spin-off agreement, tax losses of the Beijing Weying Shidai were not allocated among the Weying Spin-off business and Other Weying business. Deferred tax assets recognized in the financial statements comprise allocated tax losses together with tax losses and temporary differences identified at the level of the legal entities comprising the Weying Spin-off business.

Selling and marketing expenses were allocated based on the proportion of the segment revenue. The allocation of expenses of other supporting functions, including property costs and utilities, was determined based on headcounts of the respective business units.

Inter-company transactions, balances and unrealised gains/losses on transactions between the companies now comprising the Weige Group are eliminated on combination.

W1 Revenue

	<u>Year ended December 31,</u>		<u>Period ended September 25,</u>	
	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
			(Unaudited)	
Online entertainment ticketing	142,041	496,342	401,220	475,568
E-commerce services	30,747	22,828	20,100	5,081
Advertising services and others	5	2,274	2,932	15,555
Total revenue	<u>172,793</u>	<u>521,444</u>	<u>424,252</u>	<u>496,204</u>

W2 Expenses by nature

	Year ended December 31,		Period ended September 25,	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Marketing and promotion expenses	1,054,603	1,124,066	1,035,669	406,853
Cost of using ticketing information system	49,108	137,856	110,031	131,637
Employee benefit expenses	64,465	166,516	144,767	142,084
Services fee for internet platform maintenance	39,711	61,295	49,516	39,422
Rental fee for office and relevant maintenance expenses	6,737	28,854	17,794	33,215
Office and travelling expenses	10,733	29,719	22,400	22,411
Entertainment expenses	1,579	7,117	4,938	7,623
Depreciation of property, plant and equipment	—	1,711	804	4,859
Amortization of intangible assets	94	743	394	1,003
Other expenses	11,360	54,041	33,482	35,704
Total cost of revenue, selling and marketing expenses, general and administrative expenses	<u>1,238,390</u>	<u>1,611,918</u>	<u>1,419,795</u>	<u>824,811</u>

W3 Other gains/(losses), net

	Year ended December 31,		Period ended September 25,	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fair value loss on financial assets at fair value through profit or loss	—	—	—	(21,199)
Gains from disposal of property, plant and equipment	—	—	—	31
Government subsidies	—	—	—	16
Others	—	997	974	(95)
	<u>—</u>	<u>997</u>	<u>974</u>	<u>(21,247)</u>

W4 Income tax expenses

CIT provision was made on the estimated assessable profits of entities within Weige Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended December 31, 2015 and 2016 and the period ended September 25, 2017.

	Year ended December 31,		Period ended September 25,	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Current income tax	—	17	17	—
Deferred income tax	—	—	—	—
Income tax expenses	—	17	17	—

The tax on the Weige Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2015 and 2016 and the period ended September 25, 2017, being the tax rate of the major subsidiaries of the Weige Group. The differences are analysed as follows:

	Year ended December 31,		Period ended September 25,	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Loss before income tax	(1,065,597)	(1,089,461)	(994,560)	(349,939)
Less: share of losses of investments accounted for using the equity method	—	—	—	100
	(1,065,597)	(1,089,461)	(994,560)	(349,839)
Tax calculated at a tax rate of 25%	(266,399)	(272,365)	(248,640)	(87,460)
Tax effects of:				
- Effects of preferential tax rates applicable to different subsidiaries of the Weige Group	—	514	343	425
- Expenses not deductible for tax purposes	213	1,856	1,177	1,106
- Unrecognized deferred income tax assets	266,186	270,012	247,137	85,929
Income tax expenses	—	17	17	—

W5 Intangible assets

	<u>Software</u>	<u>Total</u>
	RMB'000	RMB'000
As at January 1, 2015		
Cost	—	—
Accumulated amortization	—	—
Net book amount	<u>—</u>	<u>—</u>
Year ended December 31, 2015		
Opening net book amount	—	—
Additions	1,162	1,162
Amortization	(94)	(94)
Closing net book amount	<u>1,068</u>	<u>1,068</u>
As at December 31, 2015		
Cost	1,162	1,162
Accumulated amortization	(94)	(94)
Net book amount	<u>1,068</u>	<u>1,068</u>
Year ended December 31, 2016		
Opening net book amount	1,068	1,068
Additions	12,406	12,406
Amortization	(743)	(743)
Exchange translation	550	550
Closing net book amount	<u>13,281</u>	<u>13,281</u>
As at December 31, 2016		
Cost	14,147	14,147
Accumulated amortization	(866)	(866)
Net book amount	<u>13,281</u>	<u>13,281</u>
Period ended September 25, 2017		
Opening net book amount	13,281	13,281
Additions	2,511	2,511
Amortization	(1,003)	(1,003)
Exchange translation	(477)	(477)
Closing net book amount	<u>14,312</u>	<u>14,312</u>
As at September 25, 2017		
Cost	16,132	16,132
Accumulated amortization	(1,820)	(1,820)
Net book amount	<u>14,312</u>	<u>14,312</u>

Amortization of intangible assets has been charged to profit or loss as follows:

	Year ended December 31,		Period ended September 25,	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Selling and marketing expenses	94	170	109	106
General and administrative expenses	—	573	285	897
	<u>94</u>	<u>743</u>	<u>394</u>	<u>1,003</u>

W6 Investments accounted for using the equity method

	As at December 31,		As at
	2015	2016	September 25,
	RMB'000	RMB'000	2017
			RMB'000
At the beginning of the year/period	—	—	4,900
Additions	—	4,900	7,500
Share of losses of the associates	—	—	(100)
At the end of the year/period	<u>—</u>	<u>4,900</u>	<u>12,300</u>

Set out below are the major associates of the Weige Group as at December 31, 2016 and September 25, 2017, which, in the opinion of the directors, none of the associate was individually significant to the Weige Group. The associates as listed below have share capital consisting solely of ordinary shares, which held directly by the Weige Group; the country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Company name	Place and date of incorporation/ establishment	Registered/ issued and paid-up capital	Percentage of ownership interest attributable to Weige Group			Principal activities and place of operation
			As at December 31,		As at	
			2015	2016	September 25, 2017	
Yaoying	June 3, 2016	10,000	—	49%	49%	The PRC; Film production and distribution
Changxiangyuefu	February 24, 2017	1,000	—	—	30%	The PRC; Film production and distribution

The Weige Group determined that it does not have controlling financial interest in above investees, but rather possesses significant influence. The associates are private companies and there are no quoted market prices available for their shares. There are no contingent liabilities relating to the Weige Group's interest in the associates.

Set out below are the summarized financial information for Yaoying and Changxiangyuefu, which are accounted for using the equity method.

	As at December 31,		As at
	2015	2016	September 25,
	RMB'000	RMB'000	2017
Current assets	—	2,010	53,479
Current liabilities	—	2,010	28,568
Loss for the year/period	—	—	(278)

W7 Financial assets at fair value through profit or loss

	As at December 31,		As at
	2015	2016	September 25,
	RMB'000	RMB'000	2017
Unlisted investments	29,000	37,800	12,801

(a) The Weige Group's financial assets at fair value through profit or loss include investment in 3 private companies. Movements of unlisted investments were as follows:

	As at December 31,		As at
	2015	2016	September 25,
	RMB'000	RMB'000	2017
At the beginning of the year/period	28,000	29,000	37,800
Additions	1,000	8,800	—
Disposal	—	—	(3,800)
Changes in fair value	—	—	(21,199)
At the end of the year/period	29,000	37,800	12,801

W8 Accounts receivables

	As at December 31,		As at
	2015	2016	September 25,
	RMB'000	RMB'000	2017
			RMB'000
Accounts receivables			
- Internet-based ticketing service	29,595	105,677	44,484
- Internet-based promotion and distribution	78,287	40,073	1,487
- Others	40	355	120
	107,922	146,105	46,091
Less: allowance for impairment	—	—	—
	<u>107,922</u>	<u>146,105</u>	<u>46,091</u>

(a) The carrying amounts of the accounts receivables balances approximated to their fair value as at December 31, 2015 and 2016 and as at September 25, 2017. All the accounts receivable balance is denominated in RMB.

(b) Aging analysis of the gross accounts receivables based on recognition date is as follows:

	As at December 31,		As at
	2015	2016	September 25,
	RMB'000	RMB'000	2017
			RMB'000
0-90 days	105,735	104,814	34,385
90-180 days	700	11,763	8,237
180-365 days	1,487	29,528	3,469
	<u>107,922</u>	<u>146,105</u>	<u>46,091</u>

W9 Prepayments, deposits and other receivables

	As at December 31,		As at
	2015	2016	September 25,
	RMB'000	RMB'000	2017
Amounts due from related parties	490	—	231,381
Prepayment for internet-based ticketing service	18,416	49,222	3,431
Prepayment for investment in performance and exhibitions	—	6,690	9,255
Deposits to merchants	84,303	93,408	80,984
Value-added tax allowance	—	1,113	1,444
Others	2	12,605	7,935
	<u>103,211</u>	<u>163,038</u>	<u>334,430</u>
Less: allowance for impairment of other receivables	—	—	—
	<u>103,211</u>	<u>163,038</u>	<u>334,430</u>

W10 Accounts payables

	As at December 31,		As at
	2015	2016	September 25,
	RMB'000	RMB'000	2017
Payables for system service fee	30,942	20,296	29,142
Payables for selling goods	739	6,533	10,256
Payables for screen service fee	483	3,946	55,971
Amounts due to related parties	—	—	3,279
Others	—	—	914
	<u>32,164</u>	<u>30,775</u>	<u>99,562</u>

Aging analysis of the accounts payables based on invoice date at the respective balances sheet date are as follows:

	As at December 31,		As at
	2015	2016	September 25,
	RMB'000	RMB'000	2017
0-90 days	17,591	18,648	55,548
90-180 days	11,544	9,229	34,639
180-365 days	3,029	2,898	9,375
	<u>32,164</u>	<u>30,775</u>	<u>99,562</u>

W11 Other payables, accruals and other liabilities

	As at December 31,		As at
	2015	2016	September 25,
	RMB'000	RMB'000	2017
Amounts due to related parties	1,251,277	2,448,629	718,537
Payables in respect of online entertainment ticketing and e-commerce services	26,876	44,131	102,282
Payroll and welfare payable	—	6,134	10,235
Others	718	4,184	4,429
	<u>1,278,871</u>	<u>2,503,078</u>	<u>835,483</u>

W12 Note to consolidated statement of cash flows

Reconciliation from loss before income tax to cash generated from operations:

	Year ended December 31,		Period ended September 25,	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before income tax	(1,065,597)	(1,089,461)	(994,560)	(349,939)
Adjustments for:				
- Depreciation of property, plant and equipment	—	1,711	804	4,859
- Interest income	—	(16)	(9)	(15)
- Amortization of intangible assets	94	743	394	1,003
- Fair value gain on financial assets at fair value through profit or loss	—	—	—	21,199
- Share of losses of investments accounted for using the equity method	—	—	—	100
Cash used in operations before changes in working capital	(1,065,503)	(1,087,023)	(993,371)	(322,793)
Changes in working capital:				
- Inventories	—	(364)	—	131
- Accounts receivables, prepayments, deposits and other receivables	(135,654)	(98,594)	(74,559)	(71,575)
- Accounts payables, accruals and other liabilities	291,221	140,765	(92,752)	(1,598,808)
	<u>(909,936)</u>	<u>(1,045,216)</u>	<u>(1,160,682)</u>	<u>(1,993,045)</u>

W13 Operating lease commitments

The Weige Group leases various offices under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,		As at
	2015	2016	September 25,
	RMB'000	RMB'000	2017
			RMB'000
No later than 1 year	6,066	6,477	6,231
Later than 1 year and no later than 5 years	16,941	10,703	4,111
	<u>23,007</u>	<u>17,180</u>	<u>10,342</u>

IV. ADDITIONAL FINANCIAL INFORMATION OF RUIHAI FANGYUAN FOR THE PRE-ACQUISITION PERIOD

Ruihai Fangyuan was established on July 13, 2017 and acquired by the Group in September 2017.

(1) STATEMENT OF COMPREHENSIVE INCOME

	Period ended from date of establishment to September 25, 2017
	RMB'000
Revenue	—
Cost of revenue	(1,222)
Gross loss	(1,222)
General and administrative expenses	—
Operating loss	(1,222)
Finance income, net	—
Loss before income tax	(1,222)
Income tax expenses	—
Loss for the period	<u>(1,222)</u>

(2) STATEMENT OF FINANCIAL POSITION

	As at September 25, 2017
	RMB'000
ASSETS	
Current assets	
Intangible assets	198,778
Total assets	<u>198,778</u>
EQUITY	
Paid-in capital	200,000
Accumulated losses	(1,222)
Total equity	<u>198,778</u>
Total liabilities	—
Total equity and liabilities	<u>198,778</u>

Ruihai Fangyuan entered into business cooperation agreement with Tencent for engaging in business of online movie ticketing services.

(3) STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Ruihai Fangyuan		
	Share capital	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
As at the incorporation date	—	—	—
Comprehensive loss			
Loss for the period	—	(1,222)	(1,222)
Transactions with equity holders of Ruihai Fangyuan			
Paid in capital	200,000	—	200,000
As at September 25, 2017	<u>200,000</u>	<u>(1,222)</u>	<u>(198,778)</u>

(4) STATEMENT OF CASH FLOWS

	Period ended from date of establishment to September 25, 2017
	RMB'000
Net cash from operating activities	—
Net cash from investing activities	—
Net cash from financing activities	—
Net increase in cash and cash equivalents	—
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	—

V. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to September 30, 2018 and up to the date of this report. Save as disclosed in this report, no dividends or distribution has been declared or made by the Company or its subsidiaries in respect of any period subsequent to September 30, 2018.

The financial information of Huanxi Media Group Limited (“**Huanxi**”) contained in this appendix (the “**Huanxi Financial Information**”) is directly extracted from consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position that previously published by Huanxi as a company publicly listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). The Huanxi Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards (HKFRS) The Huanxi Financial Information and other related business and operating information of Huanxi were included in the Annual Reports for 2015, 2016 and 2017 and the Interim Report as of and for the six months ended June 30, 2018 issued and published by Huanxi, which are publicly accessible at <http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0422/LTN20160422403.pdf>, <http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0421/LTN20170421640.pdf>, <http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0430/LTN201804301010.pdf> and <http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0917/LTN20180917257.pdf>, respectively. The financial information of Huanxi as at and for the year ended December 31, 2015, 2016 and 2017 contained in this appendix is extracted from audited consolidated financial statements, which have been audited by Huanxi’s independent auditor, Deloitte Touche Tohmatsu, as included in Huanxi’s Annual Reports for 2015, 2016 and 2017. Except for those expressly reproduced herein, any other statement, data or information contained in these hyperlinks are not incorporated into this prospectus.

None of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the underwriters or the Reporting Accountant involved in the Global Offering or their respective affiliates, directors, officers, employees, advisers or agents was involved or have otherwise participated in the preparation of the Huanxi Financial Information or have performed any verification or inspection as to its accuracy, fairness and completeness.

The inclusion of the Huanxi Financial Information is for the Shareholders and potential investors of the Company to evaluate the risks associated with the Company’s investment in Huanxi and the Global Offering only. Shareholders and potential investors of the Company are cautioned not to unduly rely on the Huanxi Financial Information announced by Huanxi, as they do not represent the Group’s consolidated results during the Track Record Period. Instead, Shareholders and potential investors of the Company should refer to the Group’s consolidated results from the Accountant’s Report set out in Appendix I to this prospectus, as well as the section headed “Financial Information” in this prospectus for details of the financial information of the Group. Shareholders and potential investors of the Company should not place undue reliance on any financial information not prepared by the Company, including the Huanxi Financial Information. Shareholders and potential investors of the Company are further cautioned that the financial statements as of and for the six months ended June 30, 2018 of Huanxi have not been audited by its independent auditor and should not be relied upon to evaluate Huanxi’s financial condition and results of operation for this period or the full year ending December 31, 2018.

EXTRACT OF THE FINANCIAL STATEMENTS OF HUANXI FOR THE YEAR ENDED DECEMBER 31, 2015

Set out below is the audited financial information of Huanxi extracted from the financial statements of Huanxi for the year ended December 31, 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>2015</u>	<u>2014</u>
	HK\$'000	HK\$'000
Revenue	266,913	203,803
Cost of sales and services rendered	<u>(219,322)</u>	<u>(173,732)</u>
Gross profit	47,591	30,071
Investment and other income	6,888	1,712
Other losses	(4,351)	(2,322)
Selling and distribution costs	(921)	(4,170)
Administrative expenses	(47,361)	(34,756)
Share-based payments	(81,000)	—
Impairment loss on goodwill	(4,395)	(1,219)
Finance costs	<u>(617)</u>	<u>(2,112)</u>
Loss before tax	(84,166)	(12,796)
Income tax expense	<u>(8,630)</u>	<u>(348)</u>
Loss for the year	(92,796)	(13,144)
Other comprehensive expense		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations	<u>(6,820)</u>	<u>(1,055)</u>
Total comprehensive expense for the year	<u>(99,616)</u>	<u>(14,199)</u>
Loss for the year attributable to owners of the Company	<u>(92,796)</u>	<u>(13,144)</u>
Total comprehensive expense for the year attributable to owners of the Company	<u>(99,616)</u>	<u>(14,199)</u>
Loss per share		
— Basic (HK dollar)	<u>(0.08)</u>	<u>(0.03)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31, 2015 HK\$'000	As at December 31, 2014 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,826	910
Loan receivable	—	80,000
Goodwill	—	4,395
	<u>1,826</u>	<u>85,305</u>
CURRENT ASSETS		
Trade and other receivables	257,356	155,759
Film rights investment	13,925	—
Investments held for trading	55,580	—
Bank balances and cash	726,598	231,917
	<u>1,053,459</u>	<u>387,676</u>
CURRENT LIABILITIES		
Trade and other payables	55,243	129,399
Loan payable	—	6,000
Tax payable	9,926	1,472
	<u>65,169</u>	<u>136,871</u>
NET CURRENT ASSETS	<u>988,290</u>	<u>250,805</u>
NET ASSETS	<u>990,116</u>	<u>336,110</u>
CAPITAL AND RESERVES		
Share capital	23,086	5,771
Reserves	967,030	330,339
TOTAL EQUITY	<u>990,116</u>	<u>336,110</u>

EXTRACT OF THE FINANCIAL STATEMENTS OF HUANXI FOR THE YEAR ENDED DECEMBER 31, 2016

Set out below is the audited financial information of Huanxi extracted from the financial statements of Huanxi for the year ended December 31, 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2016	2015
	HK\$'000	HK\$'000
Revenue	16,112	266,913
Cost of sales and services rendered	<u>(20,565)</u>	<u>(219,322)</u>
Gross (loss) profit	(4,453)	47,591
Investment and other income	5,215	6,888
Other gains and losses	(10,985)	(4,351)
Selling and distribution costs	(12,112)	(921)
Administrative expenses	(110,938)	(47,361)
Share-based payments	(1,120,472)	(81,000)
Impairment loss on goodwill	—	(4,395)
Finance costs	<u>—</u>	<u>(617)</u>
Loss before tax	(1,253,745)	(84,166)
Income tax expense	<u>—</u>	<u>(8,630)</u>
Loss for the year	(1,253,745)	(92,796)
Other comprehensive expense		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences arising on translation of functional currency to presentation currency	6,872	—
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(8,132)</u>	<u>(6,820)</u>
	<u>(1,260)</u>	<u>(6,820)</u>
Total comprehensive expense for the year	<u>(1,255,005)</u>	<u>(99,616)</u>
Loss for the year attributable to owners of the Company	<u>(1,253,745)</u>	<u>(92,796)</u>
Total comprehensive expense for the period attributable to owners of the Company	<u>(1,255,005)</u>	<u>(99,616)</u>
Loss per share		
— Basic (HK dollar)	<u>(0.51)</u>	<u>(0.08)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31, 2016 HK\$'000	As at December 31, 2015 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	4,942	1,826
Art work	20,000	—
Trade and other receivables, deposits and prepayments	5,344	—
Prepayment for film and TV rights	220,814	—
Available-for-sale investment	208	—
	<u>251,308</u>	<u>1,826</u>
CURRENT ASSETS		
Film and TV rights	250,958	13,925
Trade and other receivables, deposits and prepayments	147,459	257,356
Investments held for trading	52,768	55,580
Bank balances and cash	309,062	726,598
	<u>760,247</u>	<u>1,053,459</u>
CURRENT LIABILITIES		
Trade and other payables	175,544	55,243
Tax payable	9,100	9,926
	<u>184,644</u>	<u>65,169</u>
NET CURRENT ASSETS	<u>575,603</u>	<u>988,290</u>
NET ASSETS	<u>826,911</u>	<u>990,116</u>
CAPITAL AND RESERVES		
Share capital	27,681	23,086
Reserves	799,230	967,030
TOTAL EQUITY	<u>826,911</u>	<u>990,116</u>

EXTRACT OF THE FINANCIAL STATEMENTS OF HUANXI FOR THE YEAR ENDED DECEMBER 31, 2017

Set out below is the audited financial information of Huanxi extracted from the financial statements of Huanxi for the year ended December 31, 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2017	2016
	HK\$'000	HK\$'000
Revenue	53,209	16,112
Cost of sales and services rendered	<u>(59,072)</u>	<u>(20,565)</u>
Gross loss	(5,863)	(4,453)
Other income	6,233	4,947
Other gains and losses	3,088	(11,323)
Selling and distribution costs	(549)	(12,112)
Administrative expenses	(97,914)	(110,332)
Share-based payments	—	(1,120,472)
Finance costs	<u>(154)</u>	<u>—</u>
Loss before tax	(95,159)	(1,253,745)
Income tax expense	<u>—</u>	<u>—</u>
Loss for the year	(95,159)	(1,253,745)
Other comprehensive income (expense)		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences arising on translation of functional currency to presentation currency	60,415	6,872
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>—</u>	<u>(8,132)</u>
	<u>60,415</u>	<u>(1,260)</u>
Total comprehensive expense for the year	<u>(34,744)</u>	<u>(1,255,005)</u>
Loss for the year attributable to owners of the Company	<u>(95,159)</u>	<u>(1,253,745)</u>
Total comprehensive expense for the period attributable to owners of the Company	<u>(34,744)</u>	<u>(1,255,005)</u>
Loss per share		
— Basic (HK dollar)	<u>(0.03)</u>	<u>(0.51)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31, 2017 HK\$'000	As at December 31, 2016 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	5,917	4,942
Intangible assets	21,017	—
Art work	—	20,000
Rental deposits	5,490	5,344
Prepayment for film and TV rights	407,917	220,814
Film and TV rights	22,743	—
Available-for-sale investment	—	208
	<u>463,084</u>	<u>251,308</u>
CURRENT ASSETS		
Film and TV rights	491,090	250,958
Trade and other receivables, deposits and prepayments	53,184	147,459
Investments held for trading	—	52,768
Bank balances and cash	39,169	309,062
	<u>583,443</u>	<u>760,247</u>
CURRENT LIABILITIES		
Trade and other payables	54,084	175,544
Amount due to a related party	120,000	—
Borrowing	77,500	—
Tax payable	2,776	9,100
	<u>254,360</u>	<u>184,644</u>
NET CURRENT ASSETS	<u>329,083</u>	<u>575,603</u>
NET ASSETS	<u>792,167</u>	<u>826,911</u>
CAPITAL AND RESERVES		
Share capital	27,681	27,681
Reserves	764,486	799,230
TOTAL EQUITY	<u>792,167</u>	<u>826,911</u>

EXTRACT OF THE FINANCIAL STATEMENTS OF HUANXI FOR THE SIX MONTHS ENDED JUNE 30, 2018

Set out below is the unaudited financial information of Huanxi extracted from the financial statements of Huanxi for the six months ended June 30, 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended June 30,	
	2018	2017
	HK\$'000	HK\$'000
Revenue	84,988	107
Cost of sales and services rendered	<u>(70,074)</u>	<u>(37)</u>
Gross profit	14,914	70
Other income	657	3,306
Other gains and losses	(9,494)	2,602
Selling and distribution costs	(341)	(303)
Administrative expenses	(49,496)	(41,185)
Share-based payments	(65,469)	—
Finance costs	<u>(2,379)</u>	<u>—</u>
Loss before tax	(111,608)	(35,510)
Income tax expense	<u>—</u>	<u>—</u>
Loss for the period	(111,608)	(35,510)
Other comprehensive (expense) income for the period		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange difference arising on translation of functional currency to presentation currency	<u>(7,931)</u>	<u>25,179</u>
Total comprehensive expense for the period	<u>(119,539)</u>	<u>(10,331)</u>
Loss for the period attributable to owners of the Company	<u>(111,608)</u>	<u>(35,510)</u>
Total comprehensive expense for the period attributable to owners of the Company	<u>(119,539)</u>	<u>(10,331)</u>
Loss per share		
— Basic (HK dollar)	<u>(0.04)</u>	<u>(0.01)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at June 30,	As at December 31,
	2018	2017
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	8,075	5,917
Intangible assets	19,781	21,017
Rental deposits	5,463	5,490
Prepayment for film and TV rights	384,764	407,917
Film and TV rights	20,621	22,743
	<u>438,704</u>	<u>463,084</u>
CURRENT ASSETS		
Film and TV rights	487,841	491,090
Trade and other receivables, deposits and prepayments	128,972	53,184
Bank balances and cash	51,622	39,169
	<u>668,435</u>	<u>583,443</u>
CURRENT LIABILITIES		
Trade and other payables	89,200	54,084
Amount due to a related party	153,795	120,000
Borrowings	119,660	77,500
Tax payable	6,387	2,776
	<u>369,042</u>	<u>254,360</u>
NET CURRENT ASSETS	<u>299,393</u>	<u>329,083</u>
NET ASSETS	<u>738,097</u>	<u>792,167</u>
CAPITAL AND RESERVES		
Share capital	27,681	27,681
Reserves	710,416	764,486
TOTAL EQUITY	<u>738,097</u>	<u>792,167</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix III does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity holders of the Company as at September 30, 2018 as if the Global Offering had taken place on September 30, 2018.

The 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 had the Global Offering been completed as of September 30, 2018 or any future date.

	Audited Consolidated Net Tangible Assets of the Group Attributable to Equity Holders of the Company as at September 30, 2018 ⁽¹⁾	Conversion of the 2018 CB from liability to equity upon Listing ⁽²⁾	Estimated Net Proceeds from the Global Offering ⁽³⁾	Unaudited Pro Forma Adjusted Net Tangible Assets of the Group attributable to Equity Holders of the Company as at September 30, 2018	Unaudited Pro Forma Adjusted Net Tangible Assets per Share ^{(4),(5)}	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HKD</i>
Based on an Offer Price of HK\$14.80 per Share	209,635	353,086	1,624,586	2,187,307	1.94	2.22
Based on an Offer Price of HK\$20.40 per Share	209,635	353,086	2,253,794	2,816,515	2.52	2.88

Notes:

- The audited consolidated net tangible assets attributable to equity holders of the Company as at September 30, 2018 is extracted from the historical financial information contained in the Accountant's Report set forth in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at September 30, 2018 of approximately RMB5,633,566,000 with an adjustment for the intangible assets attributable to equity holders of the Company as at September 30, 2018 of approximately RMB5,423,931,000.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION

2. On July 24, 2018, a pre-IPO investor entered into a convertible bond subscription agreement with the Company, which was further amended on July 30, 2018, pursuant to which the pre-IPO investor subscribed for convertible bond at aggregate principal amount of US\$50,955,200 (the “**2018 CB**”). As at September 30, 2018, the 2018 CB’s principal amount along with accrued interest was US\$51,402,882, equivalent to RMB353,086,393.

The 2018 CB, with the conversion amount being the principal and the accrued but unpaid interest, will be automatically converted into Shares of the Company upon Listing, and the 2018 CB will be re-designated from liability to equity. Such adjustment represents the impact of conversion on the unaudited pro forma net tangible assets of the Group should the issuance of additional shares and conversion of the 2018 CB take place at September 30, 2018.
3. The estimated net proceeds from the Global Offering are based on 132,377,000 Shares and the indicative Offer Prices of HK\$14.80 per Share and HK\$20.40 per Share, being the low end and high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses, excluding Listing Expenses of approximately RMB27,042,000 which has been accounted for in the consolidated statement of comprehensive income up to September 30, 2018, and does not take account of any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options which have been granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme.
4. 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 1,125,797,529 Shares (assuming Offer Price is HK\$14.80) and 1,118,321,465 Shares (assuming Offer Price is HK\$20.40) were in issue respectively after taken into consideration the impact of conversion of the 2018 CB upon Listing as if the Global Offering had completed on September 30, 2018 and the share redesignation and share subdivision to be completed upon Listing. The above calculation did not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options which have been granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme.
5. For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8760 to HKD1.00000 set by the PBOC prevailing on January 4, 2019. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
6. 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 September 30, 2018.

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 Maoyan Entertainment

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Maoyan Entertainment (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 September 30, 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-2 of the Company's prospectus dated January 23, 2019, in connection with the proposed initial public offering 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 III-1 to III-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at September 30, 2018 as if the proposed initial public offering had taken place at September 30, 2018. 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 period ended September 30, 2018, 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").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional 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 initial public offering at September 30, 2018 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:

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION

- 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 judgment, 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.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

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, January 23, 2019

The estimate of the consolidated loss attributable to equity holders of the Company for the year ended December 31, 2018 is set out in the paragraph headed “Loss Estimate for the year ended December 31, 2018” under the section headed “Financial Information”.

(A) BASES

The Directors have prepared the estimate of the consolidated loss attributable to equity holders of the Company for the year ended December 31, 2018 based on the audited consolidated results of the Group for the nine months ended September 30, 2018, the unaudited consolidated results of the Group for the two months ended November 30, 2018 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2018. The estimate has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in Note 2 of the Accountant’s Report, the text of which is set forth in Appendix I to this prospectus.

(B) LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

The Board of Directors
Maoyan Entertainment

Morgan Stanley Asia Limited
Merrill Lynch Far East Limited

January 23, 2019

Dear Sirs,

Maoyan Entertainment (the “Company”)

Loss Estimate for the Year Ended December 31, 2018

We refer to the estimate of the consolidated loss attributable to equity holders of the Company for the year ended December 31, 2018 (the “Loss Estimate”) set forth in the section headed “Financial Information - Loss Estimate for the year ended December 31, 2018 ” in the prospectus of the Company dated January 23, 2019 (the “Prospectus”).

Directors’ Responsibilities

The Loss Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended September 30, 2018, the unaudited consolidated results based on the management accounts of the Group for the two months ended November 30, 2018 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2018.

The Company’s directors are solely responsible for the Loss Estimate.

*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional 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 on the accounting policies and calculations of the Loss Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Loss Estimate in accordance with the bases adopted by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix IV of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountant’s report dated January 23, 2019, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for inclusion in this prospectus by the Joint Sponsors, in connection with the estimate of the consolidated loss attributable to equity holders of the Company for the year ended December 31, 2018

Morgan Stanley**Bank of America** 
Merrill Lynch

January 23, 2019

The Board of Directors
Maoyan Entertainment

Dear Sirs,

We refer to the estimate of the consolidated loss attributable to equity holders of the Company for the year ended December 31, 2018 (the “Loss Estimate”) set forth in the section headed “Financial Information — Loss Estimate For The Year Ended December 31, 2018” in the prospectus of the Company dated January 23, 2019 (the “Prospectus”).

The Loss Estimate, for which the directors of the Company are solely responsible, has been prepared by the directors of the Company, based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended September 30, 2018, the unaudited consolidated results based on the management accounts of the Group for the two months ended November 30, 2018 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2018.

We have discussed with you the bases made by the directors of the Company as set out in Appendix IV to the Prospectus upon which the Loss Estimate has been made. We have also considered the letter dated January 23, 2019 addressed to you and us from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Loss Estimate has been made.

On the basis of the information comprising the Loss Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Loss Estimate, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf

For and on behalf of
Morgan Stanley Asia Limited
Liang Zhao
Executive Director

For and on behalf of
Merrill Lynch Far East Limited
David Cheng
Managing Director

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 December 2017 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum and its Articles.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on January 11, 2019. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
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corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
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members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
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- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) **Power to dispose of the assets of the Company or any of its subsidiaries**

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) **Borrowing powers**

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) **Remuneration**

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

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(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

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- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

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Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) **Voting rights and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

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(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement or on the Company's website. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

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(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

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The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at any general meeting convened and held in accordance with the Articles of the Company, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

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- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

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No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes

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of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 8 December 2017 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;

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- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

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Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

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In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities. Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands (as amended), the Company may obtain an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or

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(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Company has obtained an undertaking for a period of 30 years from 13 November 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
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(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
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(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands on December 8, 2017 as an exempted company with limited liability. Our registered office address is at the offices of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix V to this prospectus.

Our registered place of business in Hong Kong is at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 11, 2018 with the Registrar of Companies in Hong Kong. Mr. CHENG Ching Kit has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.

As at the date of this prospectus, our Company's head office was located at No. 3 Building, Yonghe Hangxing Garden, No. 11 Hepingli East Street, Dongcheng District, Beijing, PRC.

2. Changes in Share Capital

On December 8, 2017, our Company was incorporated with an authorized share capital of US\$50,000 divided into 500,000,000 shares of a par value of US\$0.0001 each.

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this prospectus:

- (a) On December 8, 2017, our Company was incorporated in the Cayman Islands as an exempted company. Upon the incorporation, our Company issued one ordinary share with a par value of US\$0.0001 to Vistra (Cayman) Limited in exchange for US\$0.0001, and Vistra (Cayman) Limited subsequently transferred such share to Vibrant Wide Limited on the same date at the same price.
- (b) On July 20, 2018, our Company:
 - (i) issued 170,771,319 class A ordinary shares, with a par value of US\$0.0001, to Vibrant Wide Limited, Hong Kong Pictures International Limited, Rhythm Brilliant Limited, Inspired Elite Investments Limited and Weying (BVI) Limited;
 - (ii) issued 12,803,170 class B1 ordinary shares, with a par value of US\$0.0001, to Image Flag Investment (HK) Limited;

- (iii) issued 4,831,385 class B2 ordinary shares, with a par value of US\$0.0001, to Image Flag Investment (HK) Limited;
 - (iv) issued 4,831,385 series A preferred shares, with a par value of US\$0.0001, to Image Flag Investment (HK) Limited;
- (c) On July 23, 2018, our Company:
- (i) repurchased 24,563,435 outstanding class A ordinary shares from Weying (BVI) Limited;
 - (ii) issued exact the same number of shares repurchased from Weying (BVI) Limited to several shareholders of Weying (BVI) Limited, namely, CMC Sports Investment Limited, Huayi Brothers International Limited, Huashan Investment (HK) Management Co., Limited, Glassy Mind Holdings Limited, Image Flag Investment (HK) Limited, Lim Entertainment (BVI) Limited and Dream Screen (BVI) Limited.
- (d) On August 2, 2018, our Company:
- (i) repurchased 3,022,869 outstanding class A ordinary shares from Lim Entertainment (BVI) Limited;
 - (ii) repurchased 5,301,855 outstanding class A ordinary shares from Dream Screen (BVI) Limited;
 - (iii) issued 3,022,869 class A ordinary shares, with a par value of US\$0.0001, to Weying MY (BVI) Limited;
 - (iv) issued 5,301,855 class A ordinary shares, with a par value of US\$0.0001, to Weying NZ (BVI) Limited.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries and the Consolidated Affiliated Entities

A summary of the corporate information and the particulars of our subsidiaries and the Consolidated Affiliated Entities are set out in Note 1.2 to the Accountant's Report as set out in Appendix I to this prospectus.

The following sets out the changes in the share capital of our subsidiaries and the Consolidated Affiliated Entities during the two years immediately preceding the date of this prospectus:

Tianjin Maoyan Weying

- (1) On September 2017, the registered capital of Tianjin Maoyan Weying was increased from RMB55.56 million to RMB84.36 million.

- (2) On November 2017, the registered capital of Tianjin Maoyan Weying was increased from RMB84.36 million to RMB86.46 million.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries and the Consolidated Affiliated Entities of our Company within two years immediately preceding the date of this prospectus.

4. Resolutions of the Shareholders of Our Company dated January 11, 2019

On January 11, 2019, resolutions of the Company were passed by the Shareholders that, among other things, conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in “Structure of the Global Offering — Conditions of the Global Offering” and pursuant to the terms set out therein:

- (a) the Company approved and adopted the Memorandum and Articles of Association with effect conditional and immediately upon the Global Offering;
- (b) the Global Offering and the grant of the Over-allotment Option were approved and executive Director of our Company from time to time or (if applicable), any of his duly authorized attorney (the “**Authorized Signatory**”) were authorized to allot and issue the Shares pursuant to the Global Offering and the exercise of the Over-allotment Option;
- (c) the Global Offering was approved and any Authorized Signatory would be authorized to implement the Global Offering;
- (d) subject to the “lock-up” provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate would be granted to the Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares; (iii) the exercise or vesting of shares granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme or (iv) a specific authority granted by the Shareholder(s) in general meeting, shall not exceed the aggregate of:
 - (A) 20% of the total number of Shares in issue immediately following the completion of the Global Offering; and
 - (B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting (the “Relevant Period”); and

- (e) a general unconditional mandate would be granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option of the Company in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on January 11, 2019, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange

on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option and any Shares to be allotted and issued upon the exercise of the options which has been granted under the Pre-IPO Share Option Scheme and options which may be granted under the Post-IPO Share Option Scheme and RSU Scheme), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Law.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed

minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman Companies Law.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) *Reasons for Repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) *Funding of Repurchases*

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles of Association and subject to Cayman Companies Law, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) *General*

The exercise in full of the Repurchase Mandate, on the basis of 1,126,218,301 Shares in issue immediately following the completion of the Global Offering, assuming full conversion of the 2018 CB into our Shares based on the low end of the Offer Price range but the Over-allotment Option not exercised and without taking into account any Shares to be allotted and issued upon the exercise of the options which has been or may be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme, could accordingly result in up to approximately 112,621,830 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than the highest of (i) 24.25% of the Company's total issued share capital; (ii) such percentage of Shares held by the public after completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (iii) such percentage of Shares held by the public after the full or partial exercise of the Over-allotment Option could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an increased capital subscription agreement dated September 21, 2017 entered into among Tianjin Maoyan Cultural Media Co., Ltd., Shanghai Sankuai Technology, Tianjin Caiyi, Tianjin Caiying, Tianjin Guanghong, Tianjin Caichuang, Tianjin Caixuan, Beijing Weying Shidai, Linzhi Lixin, Beijing Weige Shidai and Ruihai Fangyuan, pursuant to which Beijing Weying Shidai and Linzhi Lixin agreed to subscribe for the increased registered capital of Tianjin Maoyan Cultural Media Co., Ltd. in a total amount of RMB28,813,701, in consideration of their respective 100% equity interests in Beijing Weige Shidai and Ruihai Fangyuan;

- (b) an increased capital subscription agreement dated October 25, 2017 entered into among Tianjin Maoyan Cultural Media Co., Ltd., Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Tianjin Caiyi, Tianjin Caiying, Tianjin Guanghong, Tianjin Caichuang, Tianjin Caixuan, Beijing Weying Shidai and Linzhi Lixin, pursuant to which Linzhi Lixin agreed to subscribe for the increased registered capital of Tianjin Maoyan Cultural Media Co., Ltd. in a total amount of RMB2,088,555, representing 2.4157% equity interests of Tianjin Maoyan Cultural Media Co., Ltd., on diluted basis after completion of such capital increase, for a consideration of RMB500,000,000, with the remaining RMB497,991,445 being credited to the capital reserve of Tianjin Maoyan Cultural Media Co., Ltd.;
- (c) a shareholders agreement dated October 25, 2017 entered into among Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Tianjin Caiyi, Tianjin Guanghong, Tianjin Caiying, Tianjin Caixuan, Tianjin Caichuang, Beijing Weying Shidai, Linzhi Lixin and Tianjin Maoyan Cultural Media Co., Ltd., among others, regarding the shareholders' rights in Tianjin Maoyan Cultural Media Co., Ltd.;
- (d) a share purchase agreement dated July 20, 2018 entered into among Entertainment Plus, Entertainment Plus Holdings Ltd., Entertainment Plus (Hong Kong) Limited, Tianjin Maoyan Weying, Maoyan Technology, Vibrant Wide Limited, Hong Kong Pictures International Limited, Rhythm Brilliant Limited, Inspired Elite Investments Limited, Weying (BVI) Limited, Image Flag Investment (HK) Limited, Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Beijing Weying Shidai and Linzhi Lixin, pursuant to which Entertainment Plus agreed to issue and sell a total amount of 188,405,874 (including class A ordinary shares, class B1 ordinary Shares, and class B2 ordinary shares) ordinary shares with a par value of US\$0.0001 to Vibrant Wide Limited, Hong Kong Pictures International Limited, Rhythm Brilliant Limited, Inspired Elite Investments Limited, Weying (BVI) Limited and Image Flag Investment (HK) Limited for a total consideration of US\$18,844, and 4,831,385 series A preferred shares with a par value of US\$0.0001 to Image Flag Investment (HK) Limited for a total consideration of US\$484;
- (e) a share repurchase agreement dated July 23, 2018 entered into between Entertainment Plus and Weying (BVI) Limited, pursuant to which Entertainment Plus agreed to repurchase 24,563,435 class A ordinary shares held by Weying (BVI) Limited at a repurchase price of US\$2,460;
- (f) a class A ordinary share purchase agreement dated July 23, 2018 entered into among Entertainment Plus, Entertainment Plus Holdings Ltd., Entertainment Plus (Hong Kong) Limited, Tianjin Maoyan Weying, Maoyan Technology, Lim Entertainment (BVI) Limited, Dream Screen (BVI) Limited, Image Flag Investment (HK) Limited, CMC Sports Investment Limited, Huayi Brothers International Limited, Huashan Investment (HK) Management Co., Limited and Glassy Mind Holdings Limited, pursuant to which Entertainment Plus agreed to issue and sell a total amount of 24,563,435 class A ordinary shares with a par value of US\$0.0001 to Lim Entertainment (BVI) Limited, Dream Screen (BVI) Limited, Image Flag Investment (HK) Limited, CMC Sports Investment Limited, Huayi Brothers International Limited, Huashan Investment (HK) Management Co., Limited and Glassy Mind Holdings Limited, for a total consideration of US\$2,460;
- (g) a share repurchase agreement dated August 2, 2018 entered into among Entertainment Plus, Lim Entertainment (BVI) Limited and Dream Screen (BVI) Limited, pursuant to which Entertainment Plus agreed to repurchase 3,022,869 class A ordinary shares held by Lim Entertainment (BVI) Limited at a repurchase price of US\$303 and 5,301,855 class A ordinary shares held by Dream Screen (BVI) Limited at a repurchase price of US\$531;

- (h) a share purchase agreement dated August 2, 2018 entered into among Entertainment Plus, Weying MY (BVI) Limited and Weying NZ (BVI) Limited, pursuant to which Entertainment Plus agreed to issue and sell a total amount of 8,324,724 class A ordinary shares with a par value of US\$0.0001 to Weying MY (BVI) Limited and Weying NZ (BVI) Limited for a total consideration of US\$834;
- (i) a second amended and restated shareholders agreement dated August 2, 2018 entered into among Entertainment Plus, Entertainment Plus Holdings Ltd., Entertainment Plus (Hong Kong) Limited, Tianjin Maoyan Weying, Maoyan Technology, Vibrant Wide Limited, Hong Kong Pictures International Limited, Rhythm Brilliant Limited, Inspired Elite Investments Limited, Weying (BVI) Limited, Weying MY (BVI) Limited, Weying NZ (BVI) Limited, Image Flag Investment (HK) Limited, CMC Sports Investment Limited, Huayi Brothers International Limited, Huashan Investment (HK) Management Co., Limited, Glassy Mind Holdings Limited, Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Beijing Weying Shidai and Linzhi Lixin, among others, regarding shareholders' rights in Entertainment Plus, which was further amended by Entertainment Plus's shareholders' resolutions dated August 22, 2018 and January 3, 2019, respectively;
- (j) a subscription agreement dated July 24, 2018 (the "**Subscription Agreement**") entered into between Entertainment Plus as issuer and Cheshire Investments Fund as original bondholder, pursuant to which Entertainment Plus agreed to issue, and Cheshire Investments Fund agreed to subscribe for US\$127,388,000 5 per cent. convertible bond;
- (k) an amendment agreement to the Subscription Agreement dated July 24, 2018 entered into between Entertainment Plus and Cheshire Investments Fund on July 30, 2018, pursuant to which Entertainment Plus and Cheshire Investments Fund agreed that the subscription amount under the Subscription Agreement shall be amended to US\$50,955,200;
- (l) a termination agreement in relation to the exclusive consultation and service agreement dated August 9, 2018 entered into between Maoyan Technology and Tianjin Maoyan Weying, pursuant to which the parties agreed to terminate the exclusive consultation and service agreement which was entered into between Maoyan Technology and Tianjin Maoyan Weying on July 20, 2018;
- (m) a termination agreement in relation to the exclusive equity transfer option agreement dated August 9, 2018 entered into among Maoyan Technology, Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Beijing Weying Shidai, Linzhi Lixin, Tianjin Caiying, Tianjin Caichuang, Tianjin Caiyi, Tianjin Caixuan, Tianjin Guanghong and Tianjin Maoyan Weying, pursuant to which the parties agreed to terminate the exclusive equity transfer option agreement, which was entered into among relevant parties on July 20, 2018;
- (n) a termination agreement in relation to the shareholders' voting rights proxy agreement dated August 9, 2018 entered into among Maoyan Technology, Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Beijing Weying Shidai, Linzhi Lixin, Tianjin Caiying, Tianjin Caichuang, Tianjin Caiyi, Tianjin Caixuan, Tianjin Guanghong and Tianjin Maoyan Weying, pursuant to which the parties agreed to terminate the shareholders' voting rights proxy agreement which was entered into among relevant parties on July 20, 2018;
- (o) a termination agreement in relation to the equity pledge agreement dated August 9, 2018 entered into among Maoyan Technology, Enlight Investment, Enlight Media, Shanghai Sankuai Technology, Beijing Weying Shidai, Linzhi Lixin, Tianjin Caiying, Tianjin Caichuang, Tianjin Caiyi, Tianjin Caixuan, Tianjin Guanghong and Tianjin Maoyan Weying, pursuant to which the parties agreed to terminate the equity pledge agreement which was entered into among relevant parties on July 20, 2018;



- (p) an amended and restated exclusive consultation and service agreement dated August 9, 2018 entered into between Maoyan Technology and Tianjin Maoyan Weying, pursuant to which Tianjin Maoyan Weying agreed to engage Maoyan Technology as its exclusive provider of information consultation, technical support and other services in return for service fees;
- (q) an amended and restated exclusive equity transfer option agreement dated August 9, 2018 entered into among Maoyan Technology, the Registered Shareholders and Tianjin Maoyan Weying, pursuant to which Maoyan Technology was granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders to transfer any or all their equity interests in Tianjin Maoyan Weying to Maoyan Technology and/or a party designated by Maoyan Technology, at any time and from time to time, for considerations equivalent to the proportionate registered capital amount of the equity interests to be transferred offset by outstanding loans owed by the Registered Shareholders to Maoyan Technology;
- (r) an amended and restated shareholders' voting rights proxy agreement dated August 9, 2018 executed by Maoyan Technology, the Registered Shareholders and Tianjin Maoyan Weying, pursuant to which each of the Registered Shareholders agreed to, among other things, irrevocably appoint the persons designated by Maoyan Technology as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Tianjin Maoyan Weying;
- (s) an amended and restated equity pledge agreement dated August 9, 2018 entered into among the Registered Shareholders, Maoyan Technology and Tianjin Maoyan Weying, pursuant to which the Registered Shareholders agreed to pledge all their respective equity interests in Tianjin Maoyan Weying to Maoyan Technology;
- (t) the cornerstone investment agreement dated January 17, 2019 entered into among Maoyan Entertainment, IMAX China (Hong Kong), Limited and Morgan Stanley Asia Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;
- (u) the cornerstone investment agreement dated January 18, 2019 entered into among Maoyan Entertainment, Welight Capital L.P., Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited, Morgan Stanley Asia Limited, Morgan Stanley & Co. International plc and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;
- (v) the cornerstone investment agreement dated January 20, 2019 entered into among Maoyan Entertainment, Hylink Investment Holdings Co., Ltd, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited, Morgan Stanley Asia Limited, Morgan Stanley & Co. International plc and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;
- (w) the cornerstone investment agreement dated January 20, 2019 entered into among Maoyan Entertainment, Prestige of The Sun Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited, Morgan Stanley Asia Limited, Morgan Stanley & Co. International plc and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;
- (x) the cornerstone investment agreement dated January 21, 2019 entered into among Maoyan Entertainment, Green Better Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited, Morgan Stanley Asia Limited, Morgan Stanley & Co. International plc and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus; and
- (y) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

(i) Trademarks Registered in the PRC

As at the Latest Practicable Date, we had registered the following trademarks in the PRC which we consider to be or may be material to our business:











No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date
1.		Beijing Maoyan	35	12054987	July 6, 2024
			35	16583339	October 6, 2026
			41	17181062	March 13, 2027
2.	 猫眼电影	Beijing Maoyan	9	12055078	August 20, 2024
			16	22123917	March 6, 2028
			35	12055134	July 6, 2024
			35	16583429	May 13, 2026
			38	12055042	December 20, 2024
			41	12055090	December 13, 2025
			42	12055137	November 27, 2024
3.	猫眼电影	Beijing Maoyan	45	16805006	June 13, 2026
			35	16583395	May 13, 2026
4.	阿尔法猫	Beijing Maoyan	41	17181160	August 20, 2026
			16	20447327	August 13, 2027
5.	娱乐看猫眼	Beijing Maoyan	28	20446901	October 20, 2027
			9	22125234	January 1, 2028
			16	22123862	January 1, 2028
			35	22124225	January 20, 2028
			38	22124305	January 20, 2028
			42	22124774	January 20, 2028
6.	电影看猫眼	Beijing Maoyan	45	22125118	January 20, 2028
			9	22125228	January 20, 2028
			16	22124005	January 20, 2028
			35	22124081	January 20, 2028
			38	22124445	January 20, 2028
			41	22124496	March 6, 2028
			42	22124903	January 20, 2028
45	22124955	January 20, 2028			

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date
7.	猫眼看电影	Beijing Maoyan	16	22124042	March 6, 2028
			35	22124151	January 20, 2028
			38	22124394	January 20, 2028
			41	22124659	March 6, 2028
			45	22125089	January 20, 2028
8.	猫眼看娱乐	Beijing Maoyan	9	22125160	March 6, 2028
			16	22123940	January 20, 2028
			35	22124181	January 20, 2028
			38	22124368	January 20, 2028
			42	22124854	January 20, 2028
9.	猫眼	Beijing Maoyan	45	22125122	January 20, 2028
			38	22124423	January 20, 2028
			41	22124477A	February 6, 2028
			42	22124857	March 6, 2028
			45	22124972	January 20, 2028

(ii) Trademarks Registered in Hong Kong



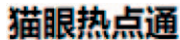

As at the Latest Practicable Date, we had registered the following trademarks in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date
1.	Maoyan Entertainment	The Company	35, 41	304504644	April 24, 2028
2.	Cateye Entertainment	The Company	35, 41	304504653	April 24, 2028
3.	A 猫眼电影	The Company	35, 41	304504671	April 24, 2028
	B 猫眼电影				
	C 貓眼電影				
	D 貓眼電影				
4.	A 猫眼演出	The Company	35, 41	304504680	April 24, 2028
	B 猫眼演出				
	C 貓眼演出				
	D 貓眼演出				

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date
5.	A  B  C  D 	The Company	35, 41	304504699	April 24, 2028
6.	A  B 	The Company	35, 41	304503177	April 23, 2028
7.	A  B  C  D 	The Company	35, 41	304503186	April 23, 2028



(iii) Trademarks Applications Pending in the PRC

As at the Latest Practicable Date, we had applied for the registration of the following trademarks in the PRC which we consider to be or may be material to our business.

No.	Trademark	Applicant	Class	Application Number	Application Date
1.		Beijing Maoyan	16 35 41 42	22124098 22124101 22124477 22124857	December 2, 2016 December 2, 2016 December 2, 2016 December 2, 2016
2.		Beijing Maoyan	16	26278166	September 7, 2017
3.		Beijing Maoyan	38 16	26281498 26297402	September 7, 2017 September 7, 2017
4.		Beijing Maoyan	16	22123917	December 2, 2016

(iv) Trademarks Applications Pending in Hong Kong

As at the Latest Practicable Date, we had applied for the registration of the following trademark in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Applicant	Class	Application Number	Application Date
1.		The Company	35, 41	304504662	April 25, 2018
2.		The Company	35, 41	304798504	January 11, 2019

(b) Copyrights

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business.

No.	Copyright	Registration Number	Registration Date
1.	Maoyan Film Clearing System (貓眼電影結算系統) 2.4	2017SR074158	March 10, 2017
2.	Maoyan Professional Version — IOS Version of Mobile Application (貓眼專業版-IOS版手機應用軟件) 1.7.0	2017SR031659	February 6, 2017
3.	Maoyan Professional Version — Android Version of Mobile Application (貓眼專業版-Android版手機應用軟件) 1.7.0	2017SR031353	February 6, 2017
4.	Maoyan Movie Producer System (貓眼電影片方系統) v1.1.0	2016SR380697	December 19, 2016
5.	Maoyan Movie Merchant System (貓眼電影商戶系統) v4.2.0	2016SR380696	December 19, 2016
6.	Maoyan Movie Android Version of Mobile Application (貓眼電影Android版手機應用軟件) v3.0	2016SR140083	June 13, 2016
7.	Maoyan Movie — iPhone Version of Mobile Application (貓眼電影iPhone版手機應用軟件) v3.0	2016SR140057	June 13, 2016
8.	Ticket Platform of Theatre Industry Based on Weixin Official Account (影院行業基於微信公眾號的票務平臺) v1.0	2018SR042610	January 18, 2018
9.	Weying ERP Agent Operation System (微影ERP代理商運營系統) 1.0.0.0	2018SR033782	January 15, 2018

No.	Copyright	Registration Number	Registration Date
10.	Intelligent Cinema Operation Management Platform (智慧影院管理運營平臺) v1.0	2018SR033721	January 15, 2018

(c) Patents

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Patentee	Place of Registration	Patent Number	Application Date	Registration Date
1.	Graphical User Interface for Mobile Phone	Beijing Maoyan	PRC	CN201630165528.4	May 6, 2016	November 23, 2016
2.	Graphical User Interface for Mobile Phone	Beijing Maoyan	PRC	CN201630103814.8	March 31, 2016	December 21, 2016
3.	Mobile Phones with Graphical User Interface (hugging heart)	Beijing Maoyan	PRC	CN201630008796.5	January 1, 2016	August 10, 2016
4.	Mobile Phones with Graphical User Interface (bouncing star)	Beijing Maoyan	PRC	CN201630003543.9	January 6, 2016	June 22, 2016
5.	Mobile Phones with Graphical User Interface (choosing seats)	Beijing Maoyan	PRC	CN201630003548.1	January 6, 2016	June 29, 2016
6.	Mobile Phones with Graphical User Interface	Beijing Maoyan	PRC	ZL201430539833.6	December 19, 2014	July 29, 2015
7.	Mobile Phones with Graphical User Interface	Beijing Maoyan	PRC	ZL201430539906.1	December 19, 2014	August 12, 2015
8.	Mobile Phones with Graphical User Interface	Beijing Maoyan	PRC	ZL201430539831.7	December 19, 2014	September 2, 2015
9.	Mobile Phones with Graphical User Interface	Beijing Maoyan	PRC	ZL201430540502.4	December 19, 2014	August 12, 2015

As at the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent	Applicant	Place of Application	Application Number	Application Date
1.	A type of method and device for online transfer of electronic tickets	Beijing Maoyan	PRC	201610299324.9	May 6, 2016
2.	A type of method and device for determining the real-time box office data	Beijing Maoyan	PRC	201610649172.0	August 9, 2016
3.	A type of method and device for forecasting box office data	Beijing Maoyan	PRC	201610648318.X	August 9, 2016
4.	A type of method, device and electronic equipment for forecasting data	Beijing Maoyan	PRC	201810630761.3	June 19, 2018
5.	A type of method, device and electronic equipment for recommendation messages	Beijing Maoyan	PRC	201810332868.X	April 13, 2018
6.	A type of method and device for video search	Beijing Maoyan	PRC	201810766347.5	July 12, 2018
7.	A type of method and device for film analysis	Beijing Maoyan	PRC	201810765221.6	July 12, 2018
8.	A type of method and device for accessing to artists' popularity	Beijing Maoyan	PRC	201810765754.4	July 12, 2018
9.	A type of method, device and storage medium for data import	Beijing Maoyan	PRC	201810776632.5	July 12, 2018
10.	A type of method, device and storage medium for correcting keyword search	Beijing Maoyan	PRC	201810766338.6	July 12, 2018
11.	A type of method and device for updating movie database	Beijing Maoyan	PRC	201810766342.2	July 12, 2018
12.	A type of statistical method and device of data	Beijing Maoyan	PRC	201810765772.2	July 12, 2018
13.	A type of method and device for displaying web page	Beijing Maoyan	PRC	201810766337.1	July 12, 2018
14.	Apps and method for business plugin of apps	Beijing Maoyan	PRC	201810766336.7	July 12, 2018

<u>No.</u>	<u>Patent</u>	<u>Applicant</u>	<u>Place of Application</u>	<u>Application Number</u>	<u>Application Date</u>
15.	A type of method and device for displaying messages	Beijing Maoyan	PRC	201810765762.9	July 12, 2018
16.	A type of method and device for displaying messages	Beijing Maoyan	PRC	201810765786.4	July 12, 2018
17.	A type of method and terminal device for adjusting view response area in the navigation bar	Beijing Maoyan	PRC	201810765771.8	July 12, 2018
18.	Passing the preliminary review of a type of method and device for forecasting box office trend	Beijing Maoyan	PRC	201810765755.9	July 12, 2018
19.	Pending preliminary review of a type of method and device for handling data failure	Beijing Maoyan	PRC	201810766341.8	July 12, 2018
20.	A type of method and device for processing messages	Beijing Maoyan	PRC	201810766335.2	July 12, 2018
21.	A type of method and device for processing data	Beijing Maoyan	PRC	201810765765.2	July 12, 2018
22.	A type of method and device for processing data	Beijing Maoyan	PRC	201810765196.1	July 12, 2018
23.	A type of method and device for aggregating and loading of modules	Beijing Maoyan	PRC	201810766344.1	July 12, 2018
24.	A type of method and device for processing messages	Beijing Maoyan	PRC	201810766339.0	July 12, 2018
25.	A type of method and device for displaying graphics	Beijing Maoyan	PRC	201810765763.3	July 12, 2018

3. Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1.	niupiaofilm.com	Tianjin Maoyan Weying	November 22, 2019
2.	maoyan.com	Beijing Maoyan	May 29, 2020
3.	gewara.com	Beijing Maoyan	October 8, 2022
4.	theatremind.com	Beijing Weige Shidai	November 21, 2019
5.	imyticket.com	Ruihai Fangyuan	June 29, 2019
6.	aladingfilm.com	Maoyan Technology	September 6, 2019
7.	xuanwucloud.com	Maoyan Technology	September 6, 2019
8.	newkingfilm.com	Maoyan Technology	November 22, 2019
9.	jinniufilm.com	Maoyan Technology	November 22, 2019

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

(a) Executive Director

Our executive Director has entered into a service contract with us pursuant to which he agreed to act as executive Director for an initial term of three years with effect from the date of this prospectus and until the third annual general meeting of our Company since the Listing Date (whichever ends earlier). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management — Remuneration And Compensation of Directors and Senior Management."

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors has entered into an appointment letter with our Company on January 10, 2019. The initial term for their appointment letters shall commence from the date of this prospectus and shall continue for three years after or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier, (subject always to re-election as and when required under the Memorandum and Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with our Company on January 10, 2019. The initial term for their appointment letters shall be three years from the date of this prospectus or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier, (subject always to re-election as and when required under the Memorandum and Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

2. Remuneration of Directors

- (a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).
- (b) During the three year ended December 31, 2015, 2016, 2017 and the nine months ended 30 September, 2018, the aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and other benefits we paid to our Directors were approximately nil, RMB68,104,000, RMB104,815,000 and RMB41,446,000, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I to this prospectus.
- (c) Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2019 is expected to be approximately RMB3.5 million (excluding discretionary bonus and without consideration of the employee incentive scheme).
- (d) No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.
- (e) Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

3. Disclosure of interests

(a) *Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering*

Immediately following completion of the Global Offering (assuming full conversion of the 2018 CB into our Shares, the Over-allotment Option is not exercised, and without taking into account the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the RSU Scheme), the interests or short positions of our Directors and chief executives in the Shares,

underlying shares and debentures of our Company, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is 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 recorded 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 Companies contained in the Listing Rules, will be as follows:

(i) *Interest in Shares*

Name of Director or chief executive	Nature of interest	Number and class of securities ⁽¹⁾	Approximate percentage of interest in our Company immediately after the Global Offering (assuming the offer price at the low end of the indicative Offer Price range and the Over-allotment Option is not exercised)	Approximate percentage of interest in our Company immediately after the Global Offering (assuming the offer price at the high end of the indicative Offer Price range and the Over-allotment Option is not exercised)
ZHENG Zhihao ⁽²⁾	Interest in controlled corporations	19,277,225	1.71%	1.72%
WANG Changtian ⁽³⁾	Interest in controlled corporations	471,465,845	41.86%	42.15%

Notes:

- (1) The class A ordinary shares, class B1 ordinary shares, class B2 ordinary shares and series A preferred shares will be redesignated to ordinary shares immediately before Listing. Further, following the redesignation of the class A ordinary shares, class B1 ordinary shares, class B2 ordinary shares and series A preferred shares, each issue and unissued ordinary share then of US\$0.0001 par value will be subdivided into five Shares of US\$0.00002 par value each (the “Share Subdivision”). At the time of Listing, the total number of issued Shares will be 1,028,107,604 (based on the high end of the Offer Price range) or 1,031,270,264 (based on the low end of the Offer Price range) with a par value of US\$0.00002 each.
- (2) Upon completion of the Global Offering, Rhythm Brilliant Limited will directly hold 19,277,225 Shares (all of which were ordinary shares) in our Company. Rhythm Brilliant Limited is a wholly-owned subsidiary of Mr. ZHENG Zhihao. Therefore, ZHENG Zhihao is deemed to be interested in the 19,277,225 Shares held by Rhythm Brilliant Limited for purpose of Part XV of the SFO.
- (3) Upon completion of the Global Offering, Vibrant Wide Limited and Hong Kong Pictures International Limited will directly hold 277,979,625 Shares and 193,486,220 Shares in our Company, respectively. Vibrant Wide Limited is owned by Mr. WANG Changtian as to 100% of its equity interests. Hong Kong Pictures International Limited is a wholly-owned subsidiary of Enlight Media, which is owned by Enlight Investment as to 44.06% of its equity interests, which in turn is owned by Mr. WANG Changtian as to 95% of its equity interests. Therefore, Mr. WANG Changtian is deemed to be interested in the 471,465,845 Shares held by Vibrant Wide Limited and Hong Kong Pictures International Limited for purpose of Part XV of the SFO.

(ii) Interest in associated corporations

Save as set out above, the Directors are not aware of any of our Directors or chief executives who will, immediately following completion of the Global Offering, has any interests and/or short positions in the Shares, underlying shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is 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 recorded 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 Companies contained in the Listing Rules.

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Global Offering (assuming full conversion of the 2018 CB into our Shares and that the options granted under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme are not exercised, the Shares subject to the RSU Scheme are not issued), having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please refer to the section headed "Substantial Shareholders" in this prospectus.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such Capital.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or any experts named in the paragraph headed "E. Other Information — 4. Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

- (b) none of the Directors or any experts named in the paragraph headed “E. Other Information — 4. Consents of Experts” below 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 taken as a whole;
- (c) none of our Directors or any of experts named in the paragraph headed “E. Other Information — 4. Consents of Experts” below 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));
- (d) so far as is known to any Director or chief executive of the Company, no other person will, immediately following completion of the Global Offering, have interests or short positions in our Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), 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 the Group;
- (e) none of the Directors or chief executive of the Company has any interests or short positions in our Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once our Shares are listed thereon; and

D. EMPLOYEE INCENTIVE SCHEME

In order to provide incentives and rewards to directors, senior management and employees of the Group and other eligible individuals and entities, the Company adopted a series of employee incentive scheme, including Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, RSU Scheme and Restricted Share Agreement (collectively, the “**ESOP Plan**”) on July 23, 2018 (the “**Adoption Date**”). The total number of Shares issued or issuable pursuant to the ESOP Plan shall not be more than 117,033,705 Shares, representing approximately 10.5% of the total issued share capital of the Company immediately upon completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme).

PRE-IPO SHARE OPTION SCHEME**Summary of Terms**

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme. The terms of our Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for new Shares of the Company.

(a) Purpose

The Pre-IPO Share Option Scheme was adopted by the Company as a continuation and restructuring of the employee share incentive scheme originally adopted by Tianjin Maoyan Weying on 8 November 2016 (the “**2016 ESOP**”) following the Reorganization, which was established to recognize and reward the contribution of the participants to the growth and development of Tianjin Maoyan Weying. The 2016 ESOP was terminated as a result of the adoption of the ESOP Plan.

(b) Who may Join

Those who may be eligible to participate in the Pre-IPO Share Option Scheme (the “**Pre-IPO Eligible Participant**”) include the directors, senior management and employees of the Group and any other persons as the Board may deem appropriate, provided that such Pre-IPO Eligible Participant shall have satisfied the following conditions, or any other conditions as agreed by the Board:

- (i) having entered into the agreements with the Company in terms of employment, confidentiality, intellectual properties and non-competition in the form and content to the satisfaction of the Company;
- (ii) having achieved the performance standards as required by the Board or the CEO (as the case may be); and
- (iii) having met the assessment criteria for the grant of options as stipulated by the Board.

An offer shall be deemed to have been accepted when the document in writing for each grant of options under the Pre-IPO Share Option Scheme (the “**Pre-IPO Share Options**”) to a Pre-IPO Eligible Participant (the “**Pre-IPO Grant Letter**”) and other documents in relation to the Scheme comprising acceptance of the offer is duly signed by the Pre-IPO Eligible Participant and the grantee of Pre-IPO Share Option Scheme (the “**Grantee**”) have entered into the agreements with the Company in terms of employment, confidentiality, intellectual properties and non-competition in the form and content to the satisfaction of the Company. Nil consideration is required to be paid by the Grantee for the grant of any Pre-IPO Share Options under the Pre-IPO Share Option Scheme.

(c) Maximum Number of Shares

The maximum number of Shares that may be issued upon exercise of all options granted and to be granted under the Pre-IPO Share Option Scheme shall be no more than 42,544,600 (which have

been reserved by the Company), representing approximately 3.8% of the total issued share capital of the Company immediately upon completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme).

(d) Exercise Price

The Pre-IPO Share Options exercise price shall be as specified by the Board or the CEO in the Pre-IPO Grant Letter and may be determined by reference of the market practice and the historical value of the Shares during the capitalisation period of the Company, which shall in no event be lower than the par value of the Shares in the Company.

(e) Rights are Personal to Grantee

An option is personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Pre-IPO Share Options without the prior consent of the Board, except for the transmission of an option on the death of the Grantee to his personal representatives(s) according to the terms of the Pre-IPO Share Option Scheme.

(f) Exercise of Options and Duration of the Pre-IPO Share Option Scheme

A Grantee may exercise his or her option in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) at any time during the period which may be specified by the Board or the CEO in the Pre-IPO Grant Letter (the “**Pre-IPO Exercise Period**”) by the Grantee (or in the case of his death, his legal personal representatives) giving notice in writing (in such form as the Company may from time to time specify) to the Company stating that the Pre-IPO Share Options are thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of exercise price (the “**Pre-IPO Exercise Price**”) for the Shares in respect of which the notice is given.

The vesting of the Pre-IPO Share Options to each Grantee shall follow the vesting schedule in each of such Grantee’s Pre-IPO Grant Letter. The vesting period shall commence on the date of the Pre-IPO Grant Letter or any other date as the CEO may agree. Notwithstanding the foregoing, in order to match the vested options under the 2016 ESOP, certain Pre-IPO Share Options shall be vested to the Grantees upon the date of the Pre-IPO Grant Letter but shall only become exercisable as and when permitted by applicable laws, which will be more specifically set out in the Pre-IPO Grant Letter. All the underlying Shares pursuant to the share options granted and to be granted under the Pre-IPO Share Option Scheme are subject to lock-up for a period of six months following the Listing during which no employee shall dispose of the underlying Shares issued to such employee.

In the case of retirement, voluntary termination of employment or engagement of the Grantee, any unvested Pre-IPO Share Options at such termination will be automatically forfeited and any Pre-IPO Share Option not exercised prior to the expiry of the ninety-day period will lapse.

The Board or CEO (in accordance with its respective discretion so authorized under paragraph (n)) may grant performance-based Pre-IPO Share Options and non-performance-based Pre-IPO Share Options. In the case of performance-based Pre-IPO Share Options, the performance target should be specified in the Pre-IPO Grant Letter. The Pre-IPO Share Option Scheme shall be valid and effective for the period of time commencing on the Adoption Date and unless amended, altered, suspended or terminated by the Board and Shareholders, the Pre-IPO Share Option Scheme shall continue in effect for a term of eight (8) years and shall terminate on the eighth anniversary of the Adoption Date, upon which any Pre-IPO Share Options granted or agreed to be granted pursuant to the Pre-IPO Share Option Scheme and any offer of such a grant shall be of no effect, and for which no claim whatsoever shall be made against the Company. However, the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect that any Pre-IPO Share Options which are granted on or before the Latest Practicable Date may continue to be exercisable in accordance with their terms of issue within the Exercise Period for which such Pre-IPO Share Options are granted.

(g) *Ranking of Shares*

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to any Pre-IPO Share Options that have not been exercised. Shares allotted and issued on the exercise of any Pre-IPO Share Options will be subject to all provisions of the Articles of Association of the Company and will rank equally in all respects with the Shares in issue on the date of allotment and issuance. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment and issuance.

(h) *Effect of Alterations to Capital*

In the event of any alteration in the capital structure of our Company by way of capitalization of profits or reserves, rights issue, consolidation, sub-division or reduction of share capital of our Company, such corresponding alterations (if any) shall be made to:

- (i) the number of Shares (without fractional entitlements) subject to the Pre-IPO Share Options so far as unexercised; and/or
- (ii) the subscription price; and/or
- (iii) the maximum number of Shares for which further Pre-IPO Share Options may be granted under the Pre-IPO Share Option Scheme.

Except alterations made on a capitalisation issue, any alteration to the number of Shares which is the subject of the Pre-IPO Share Option Scheme and/or the subscription price shall be conditional on auditors or the independent financial adviser appointed by the Company confirming by the issue of certificate to the Board that the alteration is in their opinion fair and reasonable, is made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such alteration shall remain the same as that to which he was entitled before such alteration. No such alteration shall be made to the effect which would be to enable any Share to be issued at less than its nominal value (where applicable) or which would result in the aggregate amount payable on the exercise of any Pre-IPO Share Options in full being increased.

(i) Termination or Cancellation of Option

An option shall lapse forthwith and not be exercisable (to the extent not already vested or vested but not already exercised) with immediate effect or after such period the Board or the CEO (as the case may be) may determine, upon the occurrence of any of the following:

- (i) the expiry of the Pre-IPO Exercise Period;
- (ii) the termination of employment or engagement of the Grantee due to the wilful misconduct or gross negligence by the Grantee in performing his/her services to the Group or any actions by the Grantee which is detrimental to the interests or reputation of the Group ;
- (iii) the expiry of the period due to the termination of employment or engagement of the Grantee in the case of retirement and voluntary termination where the Grantee shall be entitled to exercise the option up to the vested entitlement of such Grantee as at the date of such termination (to the extent he or she is entitled to exercise at the date of termination but not already exercised), failing which it will lapse;
- (iv) the date on which the Board or the CEO (in accordance with its respective discretion so authorized under the Pre-IPO Share Option Scheme) exercises the Company's right to cancel or forfeit the Pre-IPO Share Options if the Grantee commits (a) any material breach of the employment contract with the Company and/or its Subsidiaries; (b) any material breach of the regulations and policies of the Group; or (c) any material breach of applicable laws and regulations for which the Grantee is held to be criminally responsible;
- (v) the eighth anniversary of the Adoption Date;
- (vi) the date on which the Pre-IPO Share Options are cancelled in accordance with the paragraph (l) below.

(j) Alteration of the Pre-IPO Share Option Scheme

Subject to the Listing Rules, the Board may amend any of the provisions of the Pre-IPO Share Option Scheme, except that the following alteration must be approved by a resolution of the Shareholders in general meeting:

- (i) any changes to the definitions of Pre-IPO Eligible Participant(s), Grantee and Pre-IPO Exercise Period in the Pre-IPO Share Option Scheme;
- (ii) any alteration to the terms and conditions of the Pre-IPO Share Option Scheme which are of a material nature;
- (iii) any changes to the terms of Pre-IPO Share Options granted; and
- (iv) any change to the authority of the Board in relation to any alteration to the terms of the Pre-IPO Share Option Scheme,

except where such alterations take effect automatically under the existing terms of the Pre-IPO Share Option Scheme, provided that no such alteration shall be to the advantage of Grantee or the prospective Grantee, without the prior approval of the Shareholders in general meeting with the Pre-IPO Eligible Participants, the Grantees and their respective associates abstaining from voting.

(k) Cancellation of Options

Our Board may at any time, with the mutual consent of the Grantee, cancel Pre-IPO Share Options previously granted to, but not yet exercised by a Grantee. Where our Company cancels Pre-IPO Share Options and offers Pre-IPO Share Options to the same Grantee, the offer of such new Pre-IPO Share Options may only be made with available options to the extent not yet granted (excluding the cancelled Pre-IPO Share Options) within the limit referred to in paragraph (d) above.

(l) Termination of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme will terminate on the eighth anniversary of the Adoption Date, unless terminated earlier.

The Shareholders in general meeting may at any time terminate the operation of the Pre-IPO Share Option Scheme and in such event no further option shall be offered or granted. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(m) Potential Dilution Effect

The maximum number of Shares which may be granted under the Pre-IPO Share Option Scheme is 42,544,600. The grant of 42,544,600 Shares will incur a dilution of approximately 3.7% of the shareholding of our Shareholders immediately following the Listing (assuming full conversion of the 2018 CB into our Shares based on high end of the Offer Price range, before full exercise of the Over-allotment Option, and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options and the Post-IPO Share Options).

Outstanding Options

As of the Latest Practicable Date, Pre-IPO Share Options to subscribe for an aggregate of 40,426,195 Shares have been granted by our Company to a total of three members of the senior management of the Company, one director and member of the senior management of our subsidiary who constitutes the connected person of our Group, two Grantees who are entitled to Options to subscribe for 1,000,000 Shares or more (the “**Significant Grantees**”) and 359 other Grantees (the “**Other Grantees**”) under the Pre-IPO Share Option Scheme, representing approximately 4.0% of the total issued share capital of the Company (as enlarged by all the Shares issued and issuable under the ESOP Plan) as at the Adoption Date as if all the Shares issuable pursuant to all the ESOP Plan have

been issued, and approximately 3.6% of the total issued share capital of the Company immediately upon completion of the Global Offering (assuming full conversion of the 2018 CB into our Shares based on high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme).

Details of the Pre-IPO Share Options granted to our members of the senior management and the connected person of the Company as of the Latest Practicable Date are set out below:

Name of Grantee	Address	Relationship with the Company	Dates of Grant	Total Number of Shares underlying the Pre-IPO Share Options granted ⁽¹⁾	Exercise Period	Exercise Price (HK\$) ⁽¹⁾	Approximated percentage of equity interest in the Company underlying outstanding Pre-IPO Share Options ⁽³⁾
GU Sibin	No.18, Lane 55 Puxiu North Road Minhang District Shanghai PRC	President	March 1, 2018	6,168,710	8 years from grant date	Offer Price ⁽²⁾	0.6%
KANG Li	Beijing Trade International Mansion Yile Middle Road Tongzhou District Beijing PRC	Chief Operating Officer	November 15, 2016-March 1, 2018	7,710,895	8 years from grant date	0.1009- Offer Price ⁽²⁾	0.7%
SHI Kangping	Building 3, No.9 Yard Nanxiange Street Xuanwu District Beijing PRC	Chief Financial Officer	March 1, 2018	2,127,890	8 years from grant date	0.1009- Offer Price ⁽²⁾	0.2%
SUN Liyan	No. 33, 1-202 Ganjiakou Haidian District Beijing PRC	Executive director and manager of Xinjiang Maoyan Network	November 15, 2016	1,387,960	8 years from grant date	0.1009	0.1%

Notes:

- (1) The calculation is based on the assumption that the share redesignation and share subdivision are completed upon the Global Offering.
- (2) On January 17, 2019, the Board has passed a written resolution in relation to the adjustment of the exercise price of HK\$24.0367 in respect of certain Pre-IPO Share Options to the lower of (i) HK\$24.0367 and (ii) the final Offer Price.
- (3) Assuming completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme).

As of the Latest Practicable Date, other than disclosed above, no options were granted to any Directors, members of the senior management of the Company or the connected person of our Group under the Pre-IPO Share Option Scheme.

Details of the Pre-IPO Share Options granted to the Significant Grantees as of the Latest Practicable Date are set out below:

Name of Grantee	Address	Relationship with the Company	Date of Grant	Total Number of Shares underlying the Pre-IPO Share Options granted ⁽¹⁾	Exercise Period	Exercise Price (HK\$) ⁽¹⁾	Approximated percentage of equity interest in the Company underlying outstanding Pre-IPO Share Options ⁽³⁾
ZHANG Bo	No.405, Building 4 Yonghe Residential Park Beijing PRC	Head of customer development platform	April 11, 2018	7,710,890	8 years from grant date	Offer Price ⁽²⁾	0.7%
CHEN Qingyang	No.1302, Building 6, Unit 3 Area A, Lingxiu Xinguigu Haidian District Beijing PRC	Head of technology development platform	November 15, 2016	1,156,635	8 years from grant date	0.1009	0.1%

Notes:

- (1) The calculation is based on the assumption that the share redesignation and share subdivision are completed upon the Global Offering.
- (2) On January 17, 2019, the Board has passed a written resolution in relation to the adjustment of the exercise price of HK\$24.0367 in respect of certain Pre-IPO Share Options to the lower of (i) HK\$24.0367 and (ii) the final Offer Price.
- (3) Assuming completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme).

The table below shows the details of the Pre-IPO Share Options granted to Other Grantees under the Pre-IPO Share Option Scheme that are outstanding.

No.	Range of Shares underlying options granted under the Pre-IPO Share Option Scheme	Total number of grantees	Total number of Shares underlying outstanding Pre-IPO Share Options ⁽¹⁾	Exercise Price (HK\$) ⁽¹⁾	Dates of grant	Exercise Period	Approximate percentage of equity interest in the Company underlying outstanding Pre-IPO Share Options ⁽²⁾
1	1 to 9,999	209	861,250	0.1009- Offer Price ⁽²⁾	August 1, 2016- August 1, 2018	8 years from grant date	0.1%
2	10,000 to 99,999	118	3,424,325	0.1009- Offer Price ⁽²⁾	August 1, 2016- August 1, 2018	8 years from grant date	0.3%
3	100,000 or more	32	9,877,640	0.1009- Offer Price ⁽²⁾	August 1, 2016- August 1, 2018	8 years from grant date	0.9%
	Total	<u>359</u>	<u>14,163,215</u>				<u>1.3%</u>

Notes:

- (1) The calculation is based on the assumption that the share redesignation and share subdivision are completed upon the Global Offering.
- (2) On January 17, 2019, the Board has passed a written resolution in relation to the adjustment of the exercise price of HK\$24.0367 in respect of certain Pre-IPO Share Options to the lower of (i) HK\$24.0367 and (ii) the final Offer Price.
- (3) Assuming completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme).

The table below shows further details of the grants of Pre-IPO Share Options with 1 to 9,999 Shares underlying each individual grants.

<u>Exercise price (HK\$)⁽¹⁾</u>	<u>Total number of Shares underlying outstanding Pre-IPO Share Options⁽¹⁾</u>	<u>Dates of grant</u>	<u>Exercise period</u>	<u>Approximate percentage of equity interest in the Company underlying outstanding Pre-IPO Share Options⁽³⁾</u>
0.1009	223,840	August 1, 2016 - August 1, 2017	8 years from grant date	0.0%
Offer Price ⁽²⁾	637,410	May 1, 2018 - August 1, 2018	8 years from grant date	0.1%
Total	<u>861,250</u>			<u>0.1%</u>

Notes:

- (1) The calculation is based on the assumption that the share redesignation and share subdivision are completed upon the Global Offering.
- (2) On January 17, 2019, the Board has passed a written resolution in relation to the adjustment of the exercise price of HK\$24.0367 in respect of certain Pre-IPO Share Options to the lower of (i) HK\$24.0367 and (ii) the final Offer Price.
- (3) Assuming completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme).

The table below shows further details of the grants of Pre-IPO Share Options with 10,000 to 99,999 Shares underlying each individual grants.

<u>Exercise price (HK\$)⁽¹⁾</u>	<u>Total number of Shares underlying outstanding Pre-IPO Share Options⁽¹⁾</u>	<u>Dates of grant</u>	<u>Exercise period</u>	<u>Approximate percentage of equity interest in the Company underlying outstanding Pre-IPO Share Options⁽³⁾</u>
0.1009	1,498,705	August 1, 2016 - August 1, 2017	8 years from grant date	0.1%
Offer Price ⁽²⁾	1,925,620	May 1, 2018 - August 1, 2018	8 years from grant date	0.2%
Total	<u>3,424,325</u>			<u>0.3%</u>

Notes:

- (1) The calculation is based on the assumption that the share redesignation and share subdivision are completed upon the Global Offering.
- (2) On January 17, 2019, the Board has passed a written resolution in relation to the adjustment of the exercise price of HK\$24.0367 in respect of certain Pre-IPO Share Options to the lower of (i) HK\$24.0367 and (ii) the final Offer Price.
- (3) Assuming completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme).

The table below shows further details of the grants of Pre-IPO Share Options with more than 100,000 Shares underlying each individual grants.

Exercise price (HK\$) ⁽¹⁾	Total number of Shares underlying outstanding Pre-IPO Share Options ⁽¹⁾	Dates of grant	Exercise period	Approximate percentage of equity interest in the Company underlying outstanding Pre-IPO Share Options ⁽³⁾
0.1009	5,925,800	August 1, 2016 - February 1, 2018	8 years from grant date	0.6%
Offer Price ⁽²⁾	3,951,840	February 1, 2018 - August 1, 2018	8 years from grant date	0.4%
Total	<u>9,877,640</u>			<u>1.0%</u>

Notes:

- (1) The calculation is based on the assumption that the share redesignation and share subdivision are completed upon the Global Offering.
- (2) On January 17, 2019, the Board has passed a written resolution in relation to the adjustment of the exercise price of HK\$24.0367 in respect of certain Pre-IPO Share Options to the lower of (i) HK\$24.0367 and (ii) the final Offer Price.
- (3) Assuming completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme).

Save and except as set out above, no other options have been granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

As at the Latest Practicable Date, (i) none of the Pre-IPO Share Options has been exercised; and (ii) none of the above members of senior management of our Company, the connected person of our Company, the Significant Grantees and the Other Grantees has paid any consideration for the Pre-IPO Share Options.

Waiver and Exemption

Our Company has applied for and has been granted a waiver from (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance. See “Waiver from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.”

POST-IPO SHARE OPTION SCHEME

A. Summary of Terms

The following is a summary of the principal terms of the Post-IPO Share Option Scheme which is in accordance with Chapter 17 of the Listing Rules and was conditionally adopted together with the Restricted Share Agreement, Pre-IPO Share Option Scheme and the RSU Scheme by the Shareholders’

resolutions dated July 23, 2018 (the “**Adoption Date**”). The total number of Shares which may be issued upon exercise of options that may be granted under the Post-IPO Share Option Scheme and the RSU Scheme shall not in aggregate exceed 55,211,880 Shares (“**Post-IPO Share Option and RSU Total Limit**”) (which have been reserved by the Company), representing approximately 4.9% of the total issued share capital of the Company immediately upon completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme).

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to provide incentives and rewards to directors, senior management and employees of the Group and any other eligible individuals and/or entities in order to provide incentives and rewards to them for their contribution, and to align the corporate objectives and interests between the Group and its key talents.

(b) Who may Join

Those who may be eligible to participate in the Pre-IPO Share Option Scheme (the “**Post-IPO Eligible Participant**”) include the directors, senior management and employees of the Group and any other persons as the Board may deem appropriate, provided that such Post-IPO Eligible Participant shall have satisfied the following conditions, or any other conditions as agreed by the Board:

- (i) having entered into the agreements with the Company in terms of employment, confidentiality, intellectual properties and non-competition in the form and content to the satisfaction of the Company;
- (ii) having achieved the performance standards as required by the Board or the CEO (as the case may be); and
- (iii) having met the assessment criteria for the grant of options under the Post-IPO Share Option Scheme (the “**Post-IPO Share Options**”) as stipulated by the Board.

(c) Subscription Price

The subscription price in respect of any option shall be a price determined by the Board and notified to any Post-IPO Eligible Participant who accepts or is deemed to have accepted the offer of any Post-IPO Share Option Scheme in accordance with the terms therein or (where the context so permits) a person entitled to any such Post-IPO Share Options in consequence of the death of the original grantee (the “**Post-IPO Grantee**”) (subject to any adjustments made) which shall be not less than the highest of:

- (i) the closing price of a Share as stated in the Stock Exchange’s daily quotations sheet on the date of the document in writing for each grant of Post-IPO Share Options to a Post-IPO Eligible Participant (the “**Post-IPO Grant Letter**”) of the relevant Post-IPO Share Options, which must be a Business Day;

- (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five (5) Business Days immediately preceding the date of the Post-IPO Grant Letter of the relevant Post-IPO Share Options; and
- (iii) the par value of the Share on the date of the Post-IPO Grant Letter (the "**Post-IPO Grant Date**").

(d) Offer of the Grant of an Option

An offer of the grant of an option shall be made to any Post-IPO Eligible Participant by a Post-IPO Grant Letter, specifying:

- (i) the number of Shares under the Post-IPO Share Options;
- (ii) the subscription price;
- (iii) the Post-IPO Exercise Period;
- (iv) the vesting schedule of the Post-IPO Share Options and any conditions (including, without limitation, the Stock Exchange granting approval for the listing of and permission to deal in any Shares issued pursuant to the exercise of the Post-IPO Share Options under the Post-IPO Share Option Scheme, the commencement of dealing in the Shares on the Stock Exchange, as well as any performance targets which shall be achieved before the Post-IPO Share Options can be granted, vested or exercised) in respect of which an offer of the Post-IPO Share Options are made; and
- (v) the undertaking be made by the Post-IPO Eligible Participant to hold the Post-IPO Share Options on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Share Option Scheme.

(e) Acceptance of Offer

An option shall be deemed to have been granted when the Post-IPO Grantee has counter signed the Post-IPO Grant Letter and other documents in relation to the Post-IPO Share Option Scheme, and have entered into the agreements with the Company in terms of employment, confidentiality, intellectual properties and non-competition in the form and content to the satisfaction of the Company. Upon acceptance of the offer of Post-IPO Share Options, a payment of RMB1 by the Post-IPO Grantee to the Company is payable, and such remittance shall not be refundable and shall not be deemed to be a part payment of the subscription price.

Any offer of Post-IPO Share Options may be accepted or deemed to have been accepted for a number of Shares less than those offered under the relevant Post-IPO Share Options provided that the number of Shares in respect of the Post-IPO Share Options accepted constitutes a board lot or an integral multiple thereof for the purposes of trading on the Stock Exchange.

(f) Exercise of Options

A Post-IPO Grantee (or in the case of his death, his legal personal representatives) may exercise his Post-IPO Share Options in whole or in part (but if in part, only in respect of a board lot or any integral multiple thereof) at any time during the Post-IPO Exercise Period which may be specified by the Board in the Post-IPO Grant Letter in the manner by:

- (i) giving notice in writing (in such form as the Company may from time to time specify) to the Company stating that the Post-IPO Share Options are thereby exercised and the number of Shares in respect of which it is exercised; and
- (ii) a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given.

(g) Maximum Number of Shares in respect of which Options may be Granted

Subject to the Post-IPO Share Option and RSU Total Limit, the maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme when aggregated with the maximum number of Shares in respect of which options may be granted under any other option scheme over Shares shall not exceed 10% of the issued capital of the same class of our Company as of the Listing Date. Options lapsed or cancelled in accordance with the terms of the Post-IPO Share Option Scheme will not be counted for the purpose of calculating the 10% limit.

The Company may seek approval of Shareholders in general meeting for refreshing the above-mentioned limit. However, the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme, the RSU and any other option scheme involving the issue or grant of options over Shares or other securities by the Company under the limit as refreshed shall not exceed 10% of issued share capital of the Company as at the date of approval of the refreshed limit. Options previously granted under the Post-IPO Share Option Scheme and any other option scheme (including those outstanding, cancelled, lapsed in accordance with the terms of the Post-IPO Share Option Scheme or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”. The maximum number of Shares which may be issued upon exercise of all outstanding Post-IPO Share Options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other options granted and yet to be exercised under any other option scheme shall not exceed 30% of the issued share capital of the Company from time to time.

Subject to the approval of the Shareholders of our Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, our Company may refresh the limit at any time provided that such Post-IPO Share Options are granted only to participants specifically identified by the Company before the approval of its shareholders is sought.

Except alterations made on a capitalisation issue, any alteration to the number of Shares which is the subject of the Post-IPO Share Options and/or the Subscription Price shall be conditional on the auditors or the independent financial adviser appointed by the Company confirming by the issue of certificate to the Board that the alteration is in their opinion fair and reasonable, is made on the basis that the proportion of the issued share capital of the Company to which a Post-IPO Grantee is entitled after such alteration shall remain the same as that to which he was entitled before such alteration.

(h) Maximum Entitlement of Each Post-IPO Eligible Participant

Except with the approval of shareholders in general meeting, no option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options and any other option over the Shares (including exercised, cancelled and outstanding options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time. Any grant of further Post-IPO Share Options above this limit shall be subject to the requirement under the Listing Rules.

(i) Granting Options to Connected Persons

The approval of Independent Non-executive Directors of our Company (excluding any independent non-executive Director of our Company who is intended to be a grantee of the option) will be required for each grant of options to a Director, chief executive, or substantial shareholder of the Company or any of their respective associates.

If our Company proposes to grant option(s) to a substantial shareholder or an independent non-executive Director of our Company or their respective associates (as defined in the Listing Rules) which will result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Post-IPO Share Option Scheme and any other share option scheme in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1 per cent., or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the Grant Date; and
- (ii) having an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Grant Date, in excess of HK\$5 million or such other sum as may from time to time be provided under the Listing Rules,

such grant shall be subject to, in addition to the approval of the independent non-executive Directors of the Company, the issue of a circular by the Company to its shareholders and the approval of the shareholders of the Company in general meeting by way of a poll convened and held in accordance with the articles at which all Connected Persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such Post-IPO Share Options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time.

(j) Restrictions on the Times of Grant of Options

No options shall be offered or granted:

- (i) to any Post-IPO Eligible Participant after inside information has come to the knowledge of the Company until such inside 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:
 - (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement.
- (ii) to any Director of our Company during the period of:
 - (a) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (b) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(k) Rights are Personal to Option Holder

An option shall be personal to the Post-IPO Grantee and shall not be assignable and no Post-IPO Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any options. Any breach of the foregoing by the Post-IPO Grantee shall entitle our Company to cancel any Post-IPO Share Options or part thereof granted to such Post-IPO Grantee (to the extent not already exercised) without incurring any liability on the part of the Company.

(l) Post-IPO Exercise Period and Duration of the Post-IPO Share Option Scheme

Subject to the rules of the Post-IPO Share Option Scheme, options may be exercised by an Post-IPO Eligible Participant, in whole or in part, at any time during the period commencing from the Grant Date and such expiry date as determined by the Board in the Post-IPO Grant Letter (the "**Post-IPO Exercise Period**"). Subject to earlier termination by our Company in general meeting or by the Board, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the effective date, after which period no further options

will be granted by the provisions of the scheme, but the provisions of the scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

(m) Performance Criteria

Our Board or CEO (in accordance with their respective discretion so authorized under the Post-IPO Share Option Scheme) may grant performance-based options and non-performance-based options. In the case of performance-based options, the performance target should be specified in the Post-IPO Grant Letter.

(n) Termination or Cancellation of Option

In the event of termination of employment or engagement of the Post-IPO Grantee by reason of following conditions (the “**Post-IPO Summary Termination**”), the Board may, at its sole and absolute discretion, forfeit any vested or unvested Post-IPO Share Options (to the extent not already exercised):

- (i) any material breach of the employment contract with the Company and/or its Subsidiaries by the Post-IPO Grantee;
- (ii) any material breach of the regulations and policies of the Group by the Post-IPO Grantee, and in the event of material breach of non-competition undertaking or policy by the Post-IPO Grantee, apart from the forfeiture of such Post-IPO Grantee’s vested or unvested Post-IPO Share Options (to the extent not already exercised), the Post-IPO Grantee should be disgorged of the difference in value between the market price of the Shares acquired as a result of the exercise of the Post-IPO Share Options on the date of exercise and the Subscription Price;
- (iii) material breach of applicable laws and regulations for which the Post-IPO Grantee is held to be criminally responsible;
- (iv) any actions by the Post-IPO Grantee which is detrimental to the interests or reputation of the Group and/or its affiliates; or
- (v) any other wilful misconduct or gross negligence by the Post-IPO Grantee in performing his/her services to the Group.

In the event of the termination of employment or engagement of the Post-IPO Grantee by reason of incapacitation or death and none of the events which would be a ground for Summary Termination, such Post-IPO Grantee or his legal personal representative(s) may exercise any granted and vested Post-IPO Share Options which such Post-IPO Grantee is entitled to exercise up to the date of termination (which date shall be the last actual employment or engagement day with the Company and its Subsidiaries whether salary is paid in lieu of notice or not) within ninety (90) calendar days after such termination. Any unvested Post-IPO Share Options at such termination will be automatically forfeited and any Post-IPO Share Option not exercised prior to the expiry of the ninety-day period will lapse.

(o) Discretion of the Board

Notwithstanding the aforesaid in paragraph (n) above and paragraph (u) below, in each case, the Board may in its absolute discretion decide that any option shall not so lapse or determine subject to such conditions or limitations as the Board may decide.

(p) Rights on Takeover and Scheme of Arrangement

If a general or partial offer (whether by way of takeover offer, repurchase offer or scheme of arrangement or otherwise in like manner) has been made to all Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) to acquire all or part of the issued Shares and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, all unvested Post-IPO Share Options shall vest immediately, and the Post-IPO Grantee shall be entitled to exercise his Post-IPO Share Options to their full extent or to the extent specified in his notice for such exercise within fourteen (14) calendar days after the date on which such offer becomes or is declared unconditional.

(q) Rights on Winding-up

In the event the Shareholders of the Company agree with the Post-IPO Share Option Scheme and resolution to liquidate and wind-up the Company, the Company shall take actions to deal with all the unvested Post-IPO Share Options in accordance with the resolution passed by the Board with the affirmative votes of more than (or equal to) two thirds (2/3) of the Directors of the Company (specifically subjected to the Articles of Association of the Company and related agreements), and the Post-IPO Grantee shall provide the necessary assistance or cooperation to consummate all the necessary procedures.

(r) Ranking of Shares Issued upon Exercise of Options

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to any Post-IPO Share Options that have not been exercised. Shares allotted and issued on the exercise of any Post-IPO Share Options will be subject to all provisions of the Articles of Association of the Company and will rank equally in all respects with the Shares in issue on the date of allotment and issuance. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment and issuance.

(s) Effect of Alterations to Capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding adjustments (if any) shall be made to:

- (i) the number of Shares (without fractional entitlements) subject to the Options so far as unexercised; and/or

- (ii) the Subscription Price; and/or
- (iii) the maximum number of Shares for which further options may be granted under the Post-IPO Share Option Scheme.

Except alterations made on a capitalisation issue, any alteration to the number of Shares which is the subject of the Post-IPO Options and/or the Post-IPO Subscription Price shall be conditional on the auditors or the independent financial adviser appointed by the Company confirming by the issue of certificate to the Board that the alteration is in their opinion fair and reasonable, is made on the basis that the proportion of the issued share capital of the Company to which a Post-IPO Grantee is entitled after such alteration shall remain the same as that to which he was entitled before such alteration. No such alteration shall be made to the effect which would be to enable any Share to be issued at less than its nominal value (where applicable) or which would result in the aggregate amount payable on the exercise of any Post-IPO Options in full being increased. The capacity of the auditors or an independent financial adviser appointed by the Company in this paragraph (s) is that of experts and not of arbitrators and their certification shall be final and binding on the Company and the Post-IPO Grantees in the absence of manifest error. The costs of the auditors or an independent financial adviser appointed by the Company in so certifying shall be borne by the Company.

(t) *Lapse of Options*

Any Post-IPO Share Options shall lapse forthwith and not exercisable (to the extent not already exercised), with immediate effect or after such period the Board may determine, on the earliest of:

- (i) the expiry of the Post-IPO Exercise Period;
- (ii) the expiry of any of the Post-IPO Exercise Periods referred to in paragraph (l) above;
- (iii) the date on which the scheme of the Company referred to in paragraph (p) above becomes effective;
- (iv) the date on which the Board or the CEO (in accordance with their respective discretion so authorized under the Post-IPO Share Option Scheme) exercises the Company's right to cancel or forfeit the Post-IPO Share Options; and
- (v) the date on which the Post-IPO Share Options are cancelled in accordance with paragraph (w) below.

(u) *Alteration of the Post-IPO Share Option Scheme*

The Post-IPO Share Option Scheme may be amended or altered in any respect by resolution of the Board except that the following alteration must be approved by a resolution of the Shareholders in general meeting:

- (i) any changes to the definitions of Post-IPO Eligible Participant(s), Post-IPO Grantee and Post-IPO Exercise Period in the Post-IPO Share Option Scheme;

- (ii) any alteration to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature;
- (iii) any changes to the terms of Post-IPO Share Options; and
- (iv) any change to the authority of the Board in relation to any alteration to the terms of the Post-IPO Share Option Scheme,

except where such alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme, provided that no such alteration shall be to the advantage of Post-IPO Grantee or the prospective Post-IPO Grantee, without the prior approval of the Shareholders in general meeting with the Post-IPO Eligible Participants, the Post-IPO Grantees and their respective associates abstaining from voting.

However, no alteration shall operate to affect adversely the terms of issue of any Post-IPO Share Options granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such Post-IPO Share Options prior to such alteration except with the consent in writing of Post-IPO Grantees holding in aggregate Post-IPO Share Options which if exercised in full on the Business Day immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all Post-IPO Share Options outstanding on that date.

(v) *Cancellation of Options*

Unless otherwise provided for in the Post-IPO Share Option Scheme, any cancellation of options granted in accordance with the Post-IPO Share Option Scheme but not exercised must be approved by the Post-IPO Grantee concerned in writing. In the event that the Board elects to cancel any Post-IPO Share Options and issue new ones to the same Post-IPO Grantee, the issue of such new Post-IPO Share Options may only be made with the available unissued Post-IPO Share Options (excluding the cancelled Post-IPO Share Options) within the 10% limit or the limit as refreshed pursuant to the Post-IPO Share Option Scheme and in compliance with the terms of the Post-IPO Share Option Scheme in force from time to time.

(w) *Termination of the Post-IPO Share Option Scheme*

The Board may at any time terminate the operation of the Post-IPO Share Option Scheme before the end of its life and in such event no further Post-IPO Share Options will be offered but (save in the case of termination pursuant to the proviso to Clause 3.1) the provisions of the Post-IPO Share Option Scheme shall remain in all other respects in full force and effect in respect of Post-IPO Share Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Post-IPO Share Options granted, including Post-IPO Share Options exercised or outstanding, under the Post-IPO Share Option Scheme, and (if applicable) Post-IPO Share Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the first new scheme to be established after such termination.

(x) *Administration of the Post-IPO Share Option Scheme*

The grant, vesting, exercise, alteration and cancellation of the Post-IPO Share Option Scheme shall be managed and administered by the Board and the CEO in such authorization as set forth in the Post-IPO Share Option Scheme.

(y) Condition of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall take effect upon all of the following having been satisfied:

- (i) the passing of the necessary resolution to adopt the Post-IPO Share Option Scheme by the Board and the Shareholders, and is conditional upon:
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of Post-IPO Share Options on the Stock Exchange; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

(z) Present Status of the Post-IPO Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares which may be issued pursuant to the exercise of any options which may be granted under the Post- IPO Share Option Scheme.

(aa) Potential Dilution Effect

The maximum number of Shares which may be granted under the Post-IPO Share Option Scheme is 55,211,880. The grant of 55,211,880 Shares will incur a dilution of approximately 4.7% of the shareholding of our Shareholders immediately following the Listing (assuming full conversion of the 2018 CB into our Shares based on high end of the Offer Price range, before full exercise of the Over-allotment Option, and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options and the Post-IPO Share Options).

RSU SCHEME

Background

The Company has conditionally adopted an RSU Scheme by a resolution of our Shareholders on July 23, 2018. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(a) Purposes of the RSU Scheme

The purposes of the RSU Scheme is to recognize and reward participants for their contribution to the Group, to attract best available personnel, and to provide additional incentives to them to remain with and further promote the success of the Group's business.

(b) RSU Awards

An award of restricted share units under the RSU Scheme (the "**Award(s)**") gives a participant in the RSU Scheme a conditional right when the Award vests to obtain either Shares or an equivalent

value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. An Award may include, if so specified by the Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

(c) RSU Participants in the RSU Scheme

Participants of the RSU Scheme (the “**RSU Participants**”) include the directors, senior management and employees of the Group and any other persons as the Board may deem appropriate, provided that such Participant shall have satisfied the following conditions, or any other conditions as agreed by the Board:

- (i) having entered into the agreements with the Company in terms of employment, confidentiality, intellectual properties and non-competition in the form and content to the satisfaction of the Company;
- (ii) having achieved the performance standards as required by the Board or the CEO (as the case may be); and
- (iii) having met the assessment criteria for the grant of Awards as stipulated by the Board.

(d) Term of the Scheme

Subject to any early termination as may be determined by the Board and Shareholders pursuant to paragraph (aa) below, the RSU Scheme shall be valid and effective for the period of 8 years commencing on the date of adoption (the “**Term of the RSU Scheme**”), after which no further Awards will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and Awards that are granted during the Term of the RSU Scheme may continue to be exercisable in accordance with their terms of issue.

(e) Grant of Award

On and subject to the terms of the RSU Scheme and the terms and conditions that the Board and/or the CEO (in accordance with their respective discretion so authorized under paragraph (bb) below) (as the case may be) imposes pursuant to, the Board and the CEO shall be entitled at any time during the term of the RSU Scheme to make a grant to any RSU Participant as the Board or the CEO may in its respective absolute discretion determine.

The amount of an Award may be determined at the sole and absolute discretion of the Board and the CEO (as the case may be) and may differ among selected Participants.

Awards may be granted on such terms and conditions (e.g. by linking the vesting of the RSU to the attainment or performance of milestones by any member of the Group, the grantee or any group of RSU Participants) as the Board and the CEO (in accordance with their respective discretion so authorized under paragraph (bb) below) may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the RSU Scheme.

Subject to limitations and conditions of the RSU Scheme, the Board and the CEO (in accordance with their respective discretion so authorized under paragraph(bb) below) may authorize the RSU Trustee (as defined in paragraph (q) below) by written notification to grant to each of the selected Participants an offer of grant of Award by way of a letter or any such notice or document in such form as the Board and the CEO (as the case may be) may from time to time determine (the “**Notice of Grant**”), which shall attach an acceptance notice, subject to the conditions that the Board and the CEO (as the case may be) thinks fit. To the extent that the Grant is not accepted by any selected Participant within the time period or in a manner prescribed in the Notice of Grant, it shall be deemed that such Grant has been irrevocably defined and that the RSUs have immediately lapsed.

(f) Acceptance of Award

A grant shall be deemed to have been accepted when in respect of a board lot or an integral multiple thereof and to have taken effect when notice is given to the RSU Trustee (as defined in paragraph (q) below) through the Company in accordance with any instructions from the Company pursuant to the Notice of Grant.

(g) Restrictions on Grants

The Board and the CEO may not grant any Awards to any RSU Participant in any of the following circumstances:

- (i) the requisite approvals for that Grant from any applicable regulatory authorities have not been obtained; or
- (ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the Grant or in respect of the RSU Scheme, unless the Board determines otherwise; or
- (iii) where the Grant would result in a breach of any applicable securities laws, rules or regulations by any member of the Group or any of its directors; or
- (iv) the Grant would result in breach of the RSU Limit stipulated in paragraph (k) above or other rules of the RSU Scheme.

(h) Grant to Directors

Where any Award is proposed to be granted to a Director, it shall not be granted on any day on which our financial results are published and during the period of:

- (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Grant to Connected Persons

For as long as the Shares are listed on the Stock Exchange, any grant of an Award to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates, shall be subject to the prior approval of the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the proposed grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a Director pursuant to Rule 14A.95 of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant Director's remuneration under his/her service contract.

(j) RSU Scheme Limit

No Award shall be granted pursuant to the RSU Scheme if as a result of such grant (assumed accepted), the aggregate number of Shares (being in a board lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Shares as are equivalent to the amount of cash so awarded) underlying all grants made pursuant to the RSU Scheme (excluding Awards that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) will exceed in total 31,918,285 Shares (the "**RSU Scheme Limit**") (which have been reserved by the Company), representing approximately 2.9% of the total issued share capital of the Company immediately upon completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme). This RSU Scheme Limit may be refreshed from time to time pursuant to paragraph (l).

(k) Annual Mandate

To the extent the Company may, during the relevant period, grant RSUs pursuant to the RSU Scheme which may be satisfied by the Company allotting and issuing new Shares upon vesting of the RSUs, the Company shall propose, and the Shareholders shall consider and if thought fit, pass an ordinary resolution approving a mandate specifying:

- (i) the maximum number of new Shares that may underlie RSUs granted pursuant to the Scheme during the relevant period; and
- (ii) that the Board has the power to allot and issue Shares, procure the transfer of Shares and otherwise deal with Shares pursuant to the vesting of RSUs that are granted pursuant to the Scheme during the relevant period as and when the RSUs vest.

The mandate referred shall remain in effect during the period from the passing of the ordinary resolution granting the mandate until the earliest of:

- (i) the conclusion of our next annual general meeting;
- (ii) the end of the period within which the Company is required by any applicable laws or by any applicable laws or by our Articles to hold our next annual general meeting; and

- (iii) the date on which such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

(l) Refresh of the RSU Scheme Limit

The RSU Scheme Limit may be refreshed from time to time subject to prior Shareholders' approval, but in any event, the total number of Shares that underlying the RSUs granted following the date of approval of the refreshed limit (the "**New Approval Date**") under the limit as refreshed from time to time must not exceed 3% of the number of Shares in issue as at the relevant New Approval Date. Shares underlying the RSUs granted pursuant to the RSU Scheme (excluding Shares underlying RSU's that have lapsed or been cancelled in accordance with the RSU Scheme) prior to such New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Shares that may underlie the RSUs granted following the New Approval Date under the limit as renewed.

(m) Rights Attached to the Awards

The RSUs do not carry any right to vote at general meetings of the Company. No grantee shall enjoy any of the rights of a Shareholder, except the rights to dividends, distributions and capital gains, by virtue of the grant of an Award pursuant to the RSU Scheme, unless and until such Shares underlying the Award are actually transferred to the RSU Participant upon the vesting of the RSU.

(n) Rights Attached to Shares

The Shares to be allotted and issued upon the vesting of RSUs granted pursuant to the RSU Scheme shall be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date of transfer, 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, and accordingly shall entitle the holder of such Shares to participate in all dividends or other distributions paid or made on or after the date of transfer, 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.

(o) Awards to be Personal to the grantee

An Award shall be personal to the grantee and shall not be assignable or transferable, except assignment or transfer from a grantee to a company wholly-owned by him or between two companies both of which are wholly-owned by him and provided that following the grantee's death, RSUs may be transferred by will or by the laws of testacy and distribution.

The terms of the RSU Scheme and the RSU Grant Letter shall be binding upon the executors, administrators, heirs, successors and assigns of the grantee.

Subject to the above, no grantee shall in any way sell, transfer, charge, mortgage, encumber, hedge or create any interests in favor of any other person over or in relation to any RSU or any property held by the RSU Trustee (as defined in paragraph (q) below) on trust for the grantees, Awards, Shares underlying any Awards or any interest or benefits therein.

(p) Appointment of RSU Trustee

The Company may appoint a professional Trustee (the “**RSU Trustee**”) to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme.

Subject to the approval of the Board, the Company may (i) allot and issue Shares to the RSU Trustee to be held by the Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the Trustee to receive existing Shares from any shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. The Company shall procure that sufficient funds are provided to the Trustee by whatever means as the Board may determine to enable the Trustee to satisfy its obligations in connection with the administration of the RSU Scheme.

(q) Vesting

The Restricted Shares shall be subject to following vesting period:

- (i) Subject to the execution of documents by the grantee as set out above, the RSUs which have vested shall be satisfied at the Board’s or the CEO’s absolute discretion as authorized under paragraph (z) below within a reasonable period from the vesting date of such RSU, either by: subject to paragraph 7.5 below, the Board or the CEO (in accordance with its discretion so authorized under paragraph (z) below) directing and procuring the Trustee to transfer the Shares underlying the Award (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the grantee or his wholly-owned entity from the funds provided by the Company to the Trustee; and/or
- (ii) the Board or the CEO (in accordance with their respective discretion so authorized under paragraph (z) below) directing and procuring the Trustee to pay to the grantor in cash an amount which is equivalent to the value of the Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) set out in paragraph (i) above by making on-market sales of such Shares and after deduction or withholding of any tax, fines, levies, stamp duty and other charges applicable to the entitlement of the grantee and the sales of any Shares to fund such payment and in relation thereto.

(r) Rights on Takeover and Scheme of Arrangement

In the event a general or partial offer by way of takeover offer, repurchase offer or scheme of arrangement or otherwise in like manner is made to all the Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, all unvested Awards shall vest immediately, and the grantee shall be entitled to exercise his Awards to their full extent or to the extent specified in his notice for such exercise within fourteen (14) calendar days after the date on which such offer becomes or is declared unconditional..

(s) Rights on a Voluntary Winding-up

In the event the Shareholders of the Company agree with the Post-IPO Share Option Scheme and resolution to liquidate and wind-up the Company, the Company shall take actions to deal with all the

unvested RSUs in accordance with the resolution passed by the Board with the affirmative votes of more than (or equal to) two thirds (2/3) of the Directors of the Company (specifically subjected to the Articles of Association of the Company and related agreements), and the grantee shall provide the necessary assistance or cooperation to consummate all the necessary procedures.

(t) Termination or Cancellation of RSU

In the event of termination of employment or engagement of the grantee by reason of following conditions (the “**Summary Termination**”), the Board may, at its sole and absolute discretion, forfeit any vested or unvested options (to the extent not already exercised):

- (i) any material breach of the employment contract with the Company and/or its Subsidiaries by the grantee;
- (ii) any material breach of the regulations and policies of the Group by the grantee, and in the event of material breach of non-competition undertaking or policy by the grantee;
- (iii) material breach of applicable laws and regulations for which the grantee is held to be criminally responsible;
- (iv) any action by the grantee which is detrimental to the interests or reputation of the Group and/or its affiliates; or
- (v) any other wilful misconduct or gross negligence by the grantee in performing his/her services to the Group.

In the event of the termination of employment or engagement of the grantee by reason of incapacitation or death and none of the events which would be a ground for Summary Termination, such grantee or his legal personal representative(s) may exercise any granted and vested options which such grantee is entitled to exercise up to the date of termination (which date shall be the last actual employment or engagement day with the Company and its Subsidiaries whether salary is paid in lieu of notice or not) within ninety (90) calendar days after such termination. Any unvested options at such termination will be automatically forfeited and any Option not exercised prior to the expiry of the ninety-day period will lapse.

In the case of the transfer of the grantee’s employment or engagement within the Company and/or its Subsidiaries according to the relevant internal rules, the rights and obligations in relation to the RSUs granted to such grantee shall remain the same.

Notwithstanding the aforesaid in this paragraph, in each case, the Board or the CEO (as the case may be) may in its absolute discretion decide that any RSU shall not be cancelled or determine subject to such conditions or limitations as the Board or the CEO (as the case may be) may decide.

(u) Reorganization of Capital Structure

In the event of an alteration in the capital structure of the Company whilst any RSU has not vested by way of capitalisation issue, rights issue, consolidation, sub-division and reduction of the share capital of the Company the Board may make equitable adjustments that it considers appropriate, at its sole discretion, including:

- (i) make arrangements for the grant of substitute RSUs of equivalent fair value to an Award in the purchasing or surviving company;
- (ii) reach such accommodation with the grantee as it considers appropriate, including the payment of cash compensation to the grantee equivalent to the fair value to any RSU to the extent not vested;
- (iii) waive any conditions to vesting of any RSU to the extent not already vested; or
- (iv) permit the continuation of an Award in accordance with its original terms,

(v) *Amendment of the RSU Scheme*

The terms of the RSU Scheme may be altered, amended or waived in any respect by the Board and Shareholders provided that such alteration, amendment or waiver shall not affect any subsisting rights of any grantee thereunder.

Any alteration, amendment or waiver to the RSU Scheme of a material nature shall be approved by the resolutions of Shareholders according to the memorandum and articles of association of the Company.

(w) *Termination of the RSU Scheme*

The RSU Scheme may be terminated at any time prior to the expiry of its term by the Board and Shareholders provided that the Company shall protect all subsisting rights of all grantees hereunder, including the repayment of consideration or transfer price payable under the RSU Scheme. In this event no further Awards shall be granted after the RSU Scheme is terminated but in all other respects the provisions of the RSU Scheme shall remain in full force and effect. All RSUs granted prior to such termination and not vested on the date of termination shall remain valid.

(x) *Administration of the RSU Scheme*

The grant, vesting, exercise, alteration and cancellation of the RSU Scheme shall be managed and administered by the Board and the CEO in such authorization as set forth in the RSU Scheme.

(y) *General*

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, new Shares underlying any Awards which may be granted pursuant to the RSU Scheme.

As of the Latest Practicable Date, no RSU had been granted or agreed to be granted by our Company pursuant to the RSU Scheme. The grant and vesting of any RSUs which may be granted pursuant to the RSU Scheme will be in compliance with Rule 10.08 of the Listing Rules.

The Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the RSU Scheme, including the Grant Date, number of Shares

involved, the vesting period, the appointment and arrangement with the RSU Trustee and comply with Chapter 14A of the Listing Rules. Details of the RSU Scheme, including particulars and movements of the RSUs granted during each financial year of our Company, and our employee costs arising from the grant of the RSUs will be disclosed in our annual report.

(z) *Potential Dilution Effect*

The maximum number of Shares which may be granted under the RSU Scheme is 31,918,285. The grant of 31,918,285 Shares will incur a dilution of approximately 2.8% of the shareholding of our Shareholders immediately following the Listing (assuming full conversion of the 2018 CB into our Shares based on high end of the Offer Price range, before full exercise of the Over-allotment Option, and without taking into account any Shares to be issued upon the exercise of the Pre-IPO Share Options and the Post-IPO Share Options).

RESTRICTED SHARE AGREEMENT

The following is a summary of the principal terms of the Restricted Share Agreement entered into by the Company, Mr. ZHENG Zhihao (the “**Principal**”) and Rhythm Brilliant Limited (the “**Principal Holding Company**”), a wholly owned subsidiary of Mr. ZHENG, on July 20, 2018 and approved by the Shareholders on July 23, 2018 (the “**Adoption Date**”). Subject to the Restricted Share Agreement, a total of 19,277,225 Shares (3,855,445 class A ordinary shares of the Company as at Adoption Date), representing approximately 1.7% of the total issued share capital of the Company immediately upon completion of the Global Offering (assuming full conversion of the 2018 CB to our Shares based on high end of the Offer Price range, before exercise of the Over-allotment Option, and excluding any Shares issuable upon exercise of options granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme) owned by the Principal through the Principal Holding Company, were designated as restricted shares (“**Restricted Shares**”).

<u>Name</u>	<u>Address</u>	<u>Relationship with the Company</u>	<u>Adoption Date</u>	<u>Total Number of Restricted Shares</u>
ZHENG Zhihao	Room 601, No.2 Lane 150 Nandan Road Xuhui District Shanghai PRC	Executive Director and Chief Executive Officer	July 23, 2018	19,277,225

The Restricted Share Agreement is not subject to the provisions of Chapter 17 of the Listing Rules as the Restricted Share Agreement does not involve the grant of options by our Company to subscribe for new Shares.

(a) *Purpose*

The purpose of the Restricted Share Agreement was to recognize and reward the contribution of Mr. ZHENG Zhihao to the growth and development of our Group.

(b) Vesting Schedule

The Restricted Shares shall be subject to following vesting period:

- (i) Unless otherwise approved in writing by the Unrestricted Shareholders, 2,570,297 Restricted Shares (“**Restricted Shares I**”) shall vest in equal installments over the following four (4) years according to the following schedule: twenty-five percent (25%) of the Restricted Shares I shall have been vested upon June 1, 2016 and thereafter, provided that the Principal remains a full-time employee of any Group Company, the remaining seventy-five percent (75%) of the Restricted Shares I shall vest annually in equal installments over the next three (3) years;
- (ii) the remaining 1,285,148 Restricted Shares excluding the Restricted Shares I (“**Restricted Shares II**”) shall vest in equal installments over the following four (4) years according to the following schedule: twenty-five percent (25%) of the Restricted Shares II shall have been vested upon November 11, 2016 and thereafter, provided that the Principal remains a full-time employee of any Group Company, the remaining seventy-five percent (75%) of the Restricted Shares II shall vest annually in equal installments over the next three (3) years.

The Restricted Shares so vested are hereinafter referred to as “Vested Restricted Shares” and the Restricted Shares that have not yet been vested are hereinafter referred to as “Unvested Restricted Shares”.

(c) Transfer Restrictions

Unless otherwise provided, the Principal shall not, and shall cause the Principal Holding Company not to sell, assign, hypothecate, donate, encumber or otherwise dispose of any interest in the Unvested Restricted Shares and Vested Restricted Shares that have not been released in accordance with this Agreement. Vested Restricted Shares released in accordance with the Restricted Share Agreement may be sold, transferred or otherwise disposed of to a third party at the discretion of the Principal or Principal Holding Company, subject to compliance with the applicable laws, regulations and rules of the exchange, and the shareholders agreement entered into by the Company, the Principal, the Principal Holding Company, the Unrestricted Shareholders and other parties on July 20, 2018. Each of the Principal and Principal Holding Company agrees not to circumvent or otherwise avoid the transfer restrictions or intent thereof set forth in this Agreement.

(d) Lock-up Period

Provided that the Company has completed the Global Offering of ordinary shares of the Company (or securities representing such ordinary shares), the arrangement of transfer of the Restricted Shares and the lock-up period of the Restricted Shares shall be in compliance with the laws, regulations and the requirements of the governmental authorities (including but not limited to regulators and stock exchanges) and the required lock-up period. Subject to compliance with the applicable laws, regulations and rules of the exchange:

- (i) for the Restricted Shares vested prior to the Global Offering of the Company, such Vested Restricted Shares shall be released from all restrictions stipulated hereunder upon expiry of the applicable lock-up period (if any) following the Listing Date;

- (ii) for the Restricted Shares vested prior to the expiry of the applicable lock-up period (if any) following the Listing Date, such Vested Restricted Shares shall be released from all restrictions stipulated hereunder upon expiry of such applicable lock-up period; and
- (iii) for the Restricted Shares vested after the expiry of the applicable lock-up period (if any) following the Listing Date, such Vested Restricted Shares shall be released from all restrictions stipulated hereunder upon vesting.

(e) Repurchase Rights

In any event as set forth below (the “**Trigger Events**”, and each a “**Trigger Event**”), the Company shall be entitled, at its sole discretion, to repurchase from the Principal, the Principal Holding Company and/or other person or entity that holds the Restricted Shares for or on behalf of the Principal or Principal Holding Company (which person or entity will be deemed as the Principal Holding Company for the purpose of the Restricted Share Agreement) certain number of the Vested Restricted Shares and Unvested Restricted Shares:

- (i) the Principal’s employment relationship with the relevant Group Company terminates;
- (ii) the control of the Group Companies has changed;
- (iii) any material breach by the Principal of any laws or regulations applicable to the Company or the Articles of Association of the Company;
- (iv) any conviction of a felony, or any crime involving fraud, misrepresentation or moral turpitude or violation of applicable securities laws by the Principal that leads to the prosecution for his criminal liability;
- (v) any conduct that is not loyalty to the Group Companies, including without limitation, terminating the employment relationship with the relevant Group Company and being employed by the companies or other entities whose businesses are directly or indirectly in compete with the Group Companies, or obtaining any benefit from any related transaction with the Group Companies (except for the prior disclosure to the Company and approved by the Board);
- (vi) any material breach by the Principal of any agreement between the Principal and the relevant Group Company, including without limitation, disclosing any confidential information such as the Company’s business secrets, and substantially nonperformance or rejecting to perform the obligations as the Company’s employees, directors or counsels (except for the death or disability of the Principal);
- (vii) any violation of any regulations of the Group Companies by the Principal which will result in damages, loses or harm of the properties or reputation of the Group Companies or other employees;

- (viii) any other conducts by the Principal which will result in any material adverse effect to the business, reputation or financial status of the Group Companies; or
- (ix) any other circumstance deemed by the Board of the Company that could have resulted in or will result in any adverse effect to the interests of the Group Companies.

To the extent permissible under applicable laws, the repurchase rights with respect to the Restricted Shares to be repurchased by the Company shall be exercised by the Company's written notice delivered to the Principal (or his inheritor(s) and/or guardian(s), as applicable) or Principal Holding Company within sixty (60) days after the occurrence of Trigger Event, in such manner and by such procedures that are in compliance with the applicable laws (including in particular the Listing Rules and Code on Share Buy-backs), the Company or its permitted assigns shall pay to the Principal Holding Company in cash or cash equivalents (including the cancellation of indebtedness) the applicable repurchase price for such Restricted Shares, plus any additional funds for any additional securities (defined below) in respect thereof.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any Shares to be allotted and issued upon the exercise of the options which has been granted or to be granted under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and RSU Scheme). All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Joint Sponsors, pursuant to which our Company agreed to pay each Joint Sponsor a fee of US\$500,000 to act as a sponsor to our Company in the Global Offering.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and/or the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Morgan Stanley Asia Limited	Morgan Stanley Asia Limited, a company incorporated in Hong Kong, that is licensed for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Merrill Lynch Far East Limited	Merrill Lynch Far East Limited is a licensed corporation under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Commerce & Finance Law Offices	Qualified PRC Legal Advisor
Walkers (Hong Kong)	Cayman Islands attorneys-at-law
Shanghai iResearch Co., Ltd	Industry consultant

As of the Latest Practicable Date, 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 any member of our Group.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Compliance Adviser

Our Company have appointed Guotai Junan Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

8. Preliminary Expenses

The preliminary listing expenses of the Global Offering are estimated to be approximately RMB80,660 and are payable by our Company.

9. No Material Adverse Change

The Directors confirm that there has been no material adverse change in our financial or trading position since September 30, 2018.

10. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

- (b) Save as disclosed in this prospectus:
 - (i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
 - (ii) no share or loan capital or debenture of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

- (c) Save as disclosed in the paragraph headed “B. Further Information about our Business — 1. Summary of Material Contracts” in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.
- (e) No equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.
- (f) There has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months.
- (g) Save as disclosed in the section headed “History and Reorganization”, our Company has no outstanding convertible debt securities or debentures.
- (h) There is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of **white, yellow and green** Application Forms;
- (b) the written consents referred to under the paragraph headed “Statutory and General Information — E. Other Information — 4. Consents of experts” in Appendix VI to this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “Appendix VI — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts.”

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at our office in Hong Kong at Clifford Chance at 27/F, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Associations;
- (b) the Accountant’s Report of our Group issued by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group issued by PricewaterhouseCoopers, the text of which is set out in Appendix III to this prospectus;
- (d) the letters from PricewaterhouseCoopers and the Joint Sponsor relating to the loss estimate, the texts of which are set out in Appendix IV to this prospectus;
- (e) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2015, 2016 and 2017 and nine months ended September 30, 2018;
- (f) the PRC legal opinions issued by Commerce & Finance Law Offices, our legal advisor as to PRC law, in respect of certain general corporate matters and property interests of our Group;
- (g) the letter of advice prepared by Walkers (Hong Kong), our legal advisors as to Cayman Islands law, summarising certain aspects of the Cayman Companies Law referred to in Appendix V to this prospectus;
- (h) the Cayman Companies Law;

- (i) the report issued by Shanghai iResearch Co., Ltd, the summary of which is set forth in the section headed “Industry Overview” in this prospectus;
- (j) the written consents referred to under the paragraph headed “Statutory and General Information — E. Other Information — 4. Consents of experts” in Appendix VI to this prospectus;
- (k) the material contracts referred to in “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix VI to this prospectus;
- (l) the service contracts and the letters of appointment with our Directors referred to in “Statutory and General Information — C. Further Information about our Directors — 1. Particulars of Directors’ service contracts and appointment letters” in Appendix VI to this prospectus; and
- (m) the terms of the ESOP Plan and a list of grantees under the Pre-IPO Share Option Scheme.

