
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Eternity Investment Limited (the “Company”), you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

- (1) MAJOR TRANSACTION IN RELATION TO
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
IN THE TARGET COMPANY
INVOLVING THE ISSUE OF PROMISSORY NOTES AND
CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE
ENTERING INTO OF THE VIE CONTRACTS;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



Capital 9 Limited

Capitalised terms on this cover page shall have the same meanings as those defined in “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 9 to 74 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 75 to 76 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 77 to 95 of this circular.

A notice convening the special general meeting of the Company to be convened and held at Meeting Room (Soho 2), 6/F., ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Wednesday, 15 December 2021 at 11:00 a.m. is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular. Such form of proxy is also published on the websites of the Exchange at www.hkexnews.hk and the Company at www.ernityinv.com.hk.

Whether or not you are able to attend the special general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same at the Company’s Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

25 November 2021

CONTENTS

	<i>Page</i>
DEFINITIONS	1
PRECAUTIONARY MEASURES FOR THE SGM	8
LETTER FROM THE BOARD	9
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	75
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	77
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — FINANCIAL INFORMATION OF THE PRC COMPANY GROUP	II-1
APPENDIX III — MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRC COMPANY GROUP	III-1
APPENDIX IV — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP ...	IV-1
APPENDIX V — GENERAL INFORMATION	V-1
NOTICE OF SPECIAL GENERAL MEETING	SGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions used shall have the following meanings:

“Acquisition”	the acquisition of the entire issued share capital in the Target Company by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
“Beijing Bayhood No. 9 Co.”	北京北湖九號商務酒店有限公司(Beijing Bayhood No. 9 Business Hotel Company Limited*), a company established and registered in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Business Day(s)”	day(s) on which licensed banks in Hong Kong are generally open for business (excluding Saturday, Sunday and other general holidays in Hong Kong or any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m.)
“BVI”	the British Virgin Islands
“Club”	a membership-based golf club and resort constructed on a piece of 1,150 Chinese acres land located in Beijing, the PRC, in which Beijing Bayhood No. 9 Co. has the rights to operate and manage
“Company”	Eternity Investment Limited, an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Exchange under stock code: 764
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	within ten (10) Business Days following the day on which all the conditions precedent to the Sale and Purchase Agreement are satisfied in full or waived (or such other date as the Purchaser and the Vendor may agree in writing)

* *For identification purposes only*

DEFINITIONS

“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	consideration for the Acquisition of not more than HK\$800,000,000 which will be satisfied by cash, the issue of the Promissory Notes and the allotment and issue of the Consideration Shares by the Company and is subject to adjustments pursuant to the terms of the Sale and Purchase Agreement
“Consideration Shares”	collectively, the First Consideration Shares and the Second Consideration Shares
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Target Group upon Completion
“Equity Pledge Agreement”	股權質押協議 (equity pledge agreement) dated 27 August 2021 entered into between the WFOE, the PRC Company and the PRC Equity Owners
“Exchange”	The Stock Exchange of Hong Kong Limited
“Exclusive Business Cooperation Agreement”	獨家業務合作協議 (exclusive business cooperation agreement) dated 27 August 2021 entered into between the WFOE, the PRC Company and the PRC Equity Owners
“Exclusive Purchase Right and Equity Custodian Agreement”	獨家購買權及股權託管協議 (exclusive purchase right and equity custodian agreement) dated 27 August 2021 entered into between the WFOE, the PRC Company and the PRC Equity Owners
“First Consideration Shares”	100,000,000 new Shares which shall be allotted and issued by the Company at the Issue Price upon Completion to satisfy part of the Consideration in accordance with the Sale and Purchase Agreement
“First Promissory Note”	the promissory note in the principal amount of HK\$135,000,000 to be issued by the Company to the Vendor
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Company”	ZuesK Holdings Co., Limited, a company incorporated in Hong Kong with limited liability which is a direct wholly-owned subsidiary of the Target Company
“Independent Board Committee”	a committee under the Board established for the purpose of advising the Independent Shareholders on the VIE Contracts and the transactions contemplated thereunder and comprising all the independent non-executive Directors, being Mr. Wan Shing Chi, Mr. Ng Heung Yan and Mr. Wong Tak Chuen
“Independent Financial Adviser”	Capital 9 Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the VIE Contracts and the transactions contemplated thereunder
“Independent Shareholder(s)”	any Shareholder(s) that is/are not required to abstain from voting at a general meeting of the Company, if necessary, to approve a connected transaction
“Independent Third Party(ies)”	person(s) or entity(ies) independent of the Company and its connected persons
“Issue Price”	the issue price of HK\$0.250 per Consideration Share
“Latest Practicable Date”	19 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Exchange
“Mr. Lei”	Mr. Lei Hong Wai, the Chairman of the Board and an executive Director
“Mr. Ma” or “Guarantor”	Mr. 馬凱 (Ma Kai), one of the ultimate beneficial owners of the Vendor upon completion of the Vendor Reorganisation, and the Guarantor

DEFINITIONS

“Mr. Ren”	Mr. 任一鳴 (Ren Yi Ming), one of the PRC Equity Owners
“Mr. Shi”	Mr. 施侃 (Shi Kan), one of the ultimate beneficial owners of the Vendor upon completion of the Vendor Reorganisation, and one of the PRC Equity Owners
“Notes”	the HK\$270,000,000 13% guaranteed secured notes due 2021 issued by the Company on 29 September 2020 pursuant to the subscription and note instrument agreement dated 25 September 2020
“Power of Attorney”	授權委託書 (powers of attorney) dated 27 August 2021 executed by each of the PRC Equity Owners in favour of WFOE and its designated persons
“PRC”	The People’s Republic of China
“PRC Company”	北京零玖創享科技有限公司 (Beijing Lingjiu Chuangxiang Technology Limited*), a company established in the PRC with limited liability
“PRC Company Group”	collectively, the PRC Company, the PRC Subsidiary A and the PRC Subsidiary B
“PRC Equity Owners”	Mr. Shi and Mr. Ren, the shareholders of the PRC Company upon completion of the Target Reorganisation
“PRC Legal Adviser”	Commerce & Finance Law Offices, the legal adviser to the Company as to the PRC laws
“PRC Legal Opinion”	the legal opinion dated 30 September 2021 issued by the PRC Legal Adviser in relation to the VIE Contracts
“PRC Subsidiary A”	成都銘盛傳媒有限公司 (Chengdu Mingsheng Media Limited*), a company established in the PRC with limited liability, a wholly-owned subsidiary of the PRC Company
“PRC Subsidiary B”	伊寧市零玖創享營銷策劃有限公司 (Yining Lingjiu Chuangxiang Marketing Planning Limited*), a company established in the PRC with limited liability, a wholly-owned subsidiary of the PRC Company

* For identification purposes only

DEFINITIONS

“Promissory Notes”	collectively, the First Promissory Note and the Second Promissory Note
“Purchaser”	RICHE (BVI) LIMITED, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement entered into among the Purchaser, the Company, the Vendor and the Guarantor on 4 May 2021 in respect of the Acquisition (as supplemented and amended by the Supplemental Agreement)
“Sale Share”	one share of US\$1 of the Target Company, representing the entire issued share capital of the Target Company
“Second Consideration Shares”	not more than 850,000,000 new Shares which shall be allotted and issued by the Company at the Issue Price subject to the fulfillment of the First Guaranteed Profit (as defined in the letter from the Board) and the extent of the fulfillment of the Second Guaranteed Profit (as defined in the letter from the Board) to satisfy part of the Consideration in accordance with the Sale and Purchase Agreement
“Second Promissory Note”	the promissory note in the principal amount of not more than HK\$307,500,000 to be issued by the Company to the Vendor subject to the fulfillment of the First Guaranteed Profit and the extent of the fulfillment of the Second Guaranteed Profit
“Shun Tak Property”	the Enlarged Group’s properties located at Unit Nos. 1201, 1202, 1203, 1209, 1210, 1211 & 1212 and the corridor on 12th Floor, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened and held at Meeting Room (Soho 2), 6/F., ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Wednesday, 15 December 2021 at 11:00 a.m. to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Promissory Notes, the allotment and issue of the Consideration Shares and the Specific Mandate
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate for the allotment and issue of the Consideration Shares, which is subject to the approval by the Shareholders by way of poll at the SGM
“Spouse Consent”	配偶同意書 (spouse consent letters) dated 27 August 2021 issued by the spouse of each of the PRC Equity Owners with respect to the PRC Company
“Subject Land”	a piece of 580 Chinese acre land adjacent to the Club
“Supplemental Agreement”	the supplemental agreement entered into among the Purchaser, the Company, the Vendor and the Guarantor on 10 November 2021 to amend certain terms of the Sale and Purchase Agreement
“Target Company”	Proactivity Plus Co., Ltd, a company incorporated in BVI with limited liability
“Target Group”	the Target Company and its subsidiaries from time to time
“Target Reorganisation”	the reorganisation of the Target Group which has been completed and as detailed in the paragraph headed “The Target Reorganisation” in the letter from the Board

DEFINITIONS

“Twin Success”	Twin Success International Limited, a company incorporated in BVI with limited liability
“Vendor”	TangD Co., Ltd., a company incorporated in BVI with limited liability
“Vendor Reorganisation”	the reorganisation of the Vendor which has been completed and after which the ultimate beneficial owners of the Vendor are Mr. Ma, Mr. 張翰卿 (Zhang Han Qing), Mr. Shi and Mr. 關子杉 (Guan Zi Shan) and the effective shareholding interest of them in the Vendor are approximately 60.4%, 24.7%, 10.0% and 4.9% respectively
“VIE Contracts”	collectively, the Exclusive Business Cooperation Agreement, the Exclusive Purchase Right and Equity Custodian Agreement, the Equity Pledge Agreement, the Power of Attorney and the Spouse Consent
“WFOE”	上海數思開科技有限公司 (Shanghai Shusikai Technology Limited*), a wholly foreign-owned enterprise established in the PRC which is an indirect wholly-owned subsidiary of the Target Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Reminbi, the lawful currency of the PRC
“US\$”	the United States dollar, the lawful currency of the United States
“%”	per cent.

* For identification purposes only

PRECAUTIONARY MEASURES FOR THE SGM

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue.
- (ii) The Company requests attendees to wear surgical face masks inside the SGM venue at all times, and to maintain a safe distance between seats.
- (iii) No refreshments will be served, and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions inserted, Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person.

LETTER FROM THE BOARD



ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

Executive Directors:

Mr. Lei Hong Wai
(Chairman and Chief Executive Officer)
Mr. Cheung Kwok Wai Elton
Mr. Chan Kin Wah Billy
Mr. Cheung Kwok Fan

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Wan Shing Chi
Mr. Ng Heung Yan
Mr. Wong Tak Chuen

*Head office and principal place of
business in Hong Kong:*

Unit 1211, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

25 November 2021

To the Shareholders

Dear Sir or Madam,

- (1) MAJOR TRANSACTION IN RELATION TO
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
IN THE TARGET COMPANY
INVOLVING THE ISSUE OF PROMISSORY NOTES AND
CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE
ENTERING INTO OF THE VIE CONTRACTS;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 4 May 2021, the Purchaser (a direct wholly-owned subsidiary of the Company), the Company, the Vendor and the Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Share at the Consideration of not more than HK\$800,000,000. The Consideration will be satisfied by cash, the issue of the Promissory Notes and the allotment and issue of the Consideration Shares.

LETTER FROM THE BOARD

On 10 November 2021, the parties to the Sale and Purchase Agreement entered into the Supplemental Agreement to amend certain terms of the Sale and Purchase Agreement, pursuant to which (i) the condition precedent (h) of the Sale and Purchase Agreement has been amended to that the Listing Committee of the Exchange having granted the approval for the listing of and permission to deal in, the First Consideration Shares, instead of the Consideration Shares; and (ii) the latest time and date for the conditions to be fulfilled or waived by the Purchaser (if applicable) has been amended to 12:00 noon on 28 February 2022 (or such other later date as the Purchaser and the Vendor may agree), instead of 30 September 2021.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) financial information of the Group; (v) financial information of the PRC Company Group; (vi) unaudited pro forma financial information of the Enlarged Group; (vii) general information required to be disclosed under the Listing Rules; and (viii) a notice of the SGM together with a form of proxy.

THE SALE AND PURCHASE AGREEMENT

The principal terms and conditions of the Sale and Purchase Agreement are summarised as follows:

Date

4 May 2021

Parties

- (i) The vendor: TangD Co., Ltd.
- (ii) The purchaser: RICHE (BVI) LIMITED, a direct wholly-owned subsidiary of the Company
- (iii) The guarantor: Mr. 馬凱 (Ma Kai)
- (iv) The listed issuer: Eternity Investment Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, upon completion of the Vendor Reorganisation, each of the Vendor and its ultimate beneficial owners (including the Guarantor) is an Independent Third Party.

LETTER FROM THE BOARD

Subject of the Acquisition

The Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Share, representing the entire issued share capital of the Target Company as at the Latest Practicable Date and upon Completion, subject to the terms and conditions of the Sale and Purchase Agreement.

The Consideration

The Consideration is not more than HK\$800,000,000 and will be settled by the Purchaser to the Vendor in the following manner:

- (i) as to HK\$25,000,000 shall be settled upon Completion by the allotment and issue of the 100,000,000 First Consideration Shares at the Issue Price of HK\$0.250 per First Consideration Share;
- (ii) subject to the fulfillment of the First Guaranteed Profit (as defined below), as to HK\$135,000,000 shall be settled by issue of the First Promissory Note with the principal amount of HK\$135,000,000 within ten (10) Business Days after the date of issue of the First Auditor's Certificate (as defined below) or the announcement date of the annual results of the Company for the year ending 31 December 2021, whichever is later, or such other date as agreed between the Vendor and the Purchaser; and
- (iii) subject to the fulfillment of the First Guaranteed Profit and the extent of the fulfillment of the Second Guaranteed Profit (as defined below), as to the remaining of not exceeding HK\$640,000,000, shall be settled within ten (10) Business Days after the date of issue of the Second Auditor's Certificate (as defined below) or the announcement date of the annual results of the Company for the year ending 31 December 2022, whichever is later, or such other date as agreed between the Vendor and the Purchaser, by
 - (a) not more than HK\$120,000,000 in cash;
 - (b) issue of the Second Promissory Note with a principal amount of not more than HK\$307,500,000 to the Vendor; and
 - (c) allotment and issue of not more than 850,000,000 Second Consideration Shares at the Issue Price of HK\$0.250 per Second Consideration Share to the Vendor.

The actual amount of the total Consideration to be paid shall be adjusted on the basis as detailed in the paragraph headed "Profit guarantee" below in this letter.

LETTER FROM THE BOARD

Basis of the Consideration

The maximum Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on the assumption that the First Guaranteed Profit and the Second Guaranteed Profit can be fulfilled.

Determination of the amount of the Consideration

In determining the amount of the Consideration, the Board has made references to, amongst others, the price-to-earnings ratio (“**P/E Ratio**”) of other comparable companies. In screening comparable companies, the Board adopted the selection criteria that the comparable companies should (i) be listed on the Exchange; (ii) have generated profit in the latest financial year; and (iii) be engaged in business similar to that of the PRC Company Group i.e. provision of online marketing solutions (including production of short video advertisements) and advertising agency services. Having scrutinised all companies listed on the Exchange, the Board found an exhaustive list of only two comparable companies that carry on the provision of the online advertising services business in the PRC, similar to that of the PRC Company. In selecting comparable companies, the Board did not consider any companies listed on other stock exchanges, other than the Exchange as the investors of other stock exchanges may have a higher risk appetite leading to a higher P/E Ratio. Given that there are only two comparable companies available in the stock market of Hong Kong, the Board considers that it has used its best endeavours to obtain a proper sample size to provide a fair and representative basis for determining the Benchmark P/E Ratio (as defined below). Although there are only two comparable companies, the comparable companies are listed companies and the PRC Company is a private company and the sizes of the comparable companies are larger than that of the PRC Company, having considered that (i) the business nature of the PRC Company and the comparable companies are the same, i.e. they all provide online advertising services and are with similar business model; and (ii) both the comparable companies and the PRC Company are subject to the same fluctuations in the economy and performance of the industry which means that they are confronted with similar market and industrial risks and rewards, the Board is of the view that the selection criteria can form a fair and reasonable analysis and the comparable companies are representative. Set out below is the information of the comparable companies:

LETTER FROM THE BOARD

No.	Company	Stock code	Principal activities	Market capitalisation as at the date of the Sale and Purchase Agreement <i>(Note 1)</i> <i>(HK\$'000)</i>	Profit attributable to the owners of the company for the latest financial year <i>(Note 2)</i> <i>(HK\$'000)</i>	P/E Ratio <i>(times)</i>
1	Bright Future Technology Holdings Limited	1351	Provision of mobile advertising services in the PRC	950,000	82,821	11.47
2	Netjoy Holdings Limited	2131	Provision of online advertising services in the PRC	5,360,000	127,438	42.06
					Average	26.77

Notes:

- It is based on the issued number of shares and the closing price of the shares of the comparable companies as at the date of the Sale and Purchase Agreement (i.e. 4 May 2021).
- For profit attributable to the owners of the company recorded in RMB, it is converted into HK\$ by the rate of HK\$1.23 to RMB1.00.

The Board negotiated the Consideration with the Vendor and mutually agreed on the benchmark P/E Ratio of around 6.50 times (the “**Benchmark P/E Ratio**”) for the Consideration of HK\$800,000,000, which is the product obtained by multiplying (x) the Second Guaranteed Profit of RMB100,000,000 (equivalent to approximately HK\$123,000,000) by (y) the Benchmark P/E Ratio of 6.50 times. During the negotiating of the Benchmark P/E Ratio, both the Board and the Vendor understood that the average P/E Ratio of the two comparable companies served as a reference and a discount must be applied in reaching a mutually agreed Benchmark P/E Ratio as the two comparable companies have been in business for a longer period of time and their scale of operations are substantial as compared to that of the PRC Company. In negotiating the Benchmark P/E Ratio with the Vendor, the Board has taken into account various factors, mainly including (i) the short operating history of the PRC Company, (ii) the scale of the PRC

LETTER FROM THE BOARD

Company as of the date of the Sale and Purchase Agreement, (iii) the certainty of the First Guaranteed Profit and the Second Guaranteed Profit being achieved, (iv) the degree of competition in the industry in which the PRC Company operates, and (v) the ability of the management of the PRC Company in operating the PRC Company profitably. During the negotiation process, the Board bargained with the Vendor for a favorable Benchmark P/E Ratio to the Purchaser by presenting the abovementioned factors to the Vendor to justify the application of a deep discount. After several rounds of negotiation, the Benchmark P/E Ratio of around 6.50 times was finally agreed by the Board and the Vendor. Given that the Benchmark P/E Ratio of 6.50 times used for determining the Consideration is well below the average P/E Ratio of the above comparable companies of approximately 26.77 times by approximately 75.72%, the Board considers that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Determination of payment terms

At the final stage of negotiation, the Vendor and the Board reached an agreement on settling the Consideration by instalments, in which (i) HK\$160,000,000 should be payable after the First Guaranteed Profit being achieved (the “**First PG Consideration**”), and (ii) the remaining balance of not more than HK\$640,000,000 should be payable after the Second Guaranteed Profit being achieved. The portions of the Consideration payable in each stage was spread evenly to the guaranteed profits for the First Guaranteed Period (as defined below) and the Second Guaranteed Period (as defined below) which represents approximately 5.20 times of the guaranteed profit for the relevant period. The payment by instalments method was proposed by the Board for mitigating and managing the investment risk in the PRC Company, and protecting the interests of the Company and the Shareholders as a whole. After the Vendor and the Board agreed on the payment terms of the Consideration, the Vendor suggested the Purchaser to pay part of the Consideration upon Completion first as the Vendor is of the view that it is not reasonable for the Vendor to receive the first instalment only after the First Guaranteed Profit being certified by the auditors designated by the Board, i.e. the end of March 2022, given that the Vendor and its shareholders contributed a considerable amount of resources in operating the PRC Company Group.

After several rounds of negotiations, the Board and the Vendor agreed that (i) the Purchaser shall pay part of the First PG Consideration upon Completion (the “**First Payment**”) and the remaining part of the First PG Consideration shall be payable after the fulfillment of the First Guaranteed Profit. The amount of the First Payment was determined based on the product of approximately HK\$24,000,000 obtained by multiplying (x) the unaudited actual net profit after taxation of the PRC Company Group for the year ended 31 December 2020 in the amount of RMB3,024,154 (equivalent to approximately HK\$3,719,709) (the “**Actual Profit**”) by (y) the Benchmark P/E Ratio of 6.50 times, and

LETTER FROM THE BOARD

rounded up to HK\$25,000,000. As the First Payment of HK\$25,000,000 is allocated out of the First PG Consideration and does not increase the amount of the overall Consideration, the Board considered the payment of the First Payment upon Completion is acceptable and a normal commercial term. The Actual Profit was used to determine the amount of the First Payment instead of the entire amount of the Consideration.

Determination of the First Guaranteed Profit and the Second Guaranteed Profit

Given that the PRC Company is regarded as a startup company with a limited track record, the First Guaranteed Profit and the Second Guaranteed Profit were determined between the Board and the Vendor through arm's length negotiations taking into the following factors, which are discussed in detail under the paragraph headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below:

- (i) the expertise and work experiences of the founding operating officers of the PRC Company Group i.e. Mr. Zhang Han Qing and Mr. Ren, who are able to lead the operation of the PRC Company Group by generating extensive ideas for short video and advertisements, provide corporate strategies to the operation of the PRC Company Group and secure customers;
- (ii) Mr. Ma's extensive social network and the synergy effect between Mr. Ma and the above founding operating officers in the business of the PRC Company Group, meaning that the PRC Company Group shall be able to secure new business opportunities and customers introduced by Mr. Ma and thus broaden the income base and increase the earnings of the PRC Company Group;
- (iii) the unaudited net profit before taxation of the PRC Company for the three months ended 31 March 2021 of approximately RMB2.72 million as disclosed in the announcement of the Company dated 4 May 2021, which represents approximately 89.47% of that of approximately RMB3.04 million for the year ended 31 December 2020 as disclosed in the announcement of the Company dated 4 May 2021, showing that the profitability of the PRC Company Group has been rapidly growing, and the expected further surge in revenue of the PRC Company Group after Mr. Ma joined the PRC Company Group apart from the organic growth of the business of the PRC Company Group in 2021;
- (iv) the existing contracts on hand showing the business opportunities already secured by the PRC Company Group and the new customers to be brought in by Mr. Ma through his business and social networks as aforementioned; and
- (v) the prospects and the rapid growth of the PRC Company's industry, indicating that the whole market of this industry is expanding and the market share of the PRC Company Group would be increased if the PRC Company Group is able to get a grip of the new business opportunities from its organic growth and the introduction from Mr. Ma.

LETTER FROM THE BOARD

In determining the First Guaranteed Profit and the Second Guaranteed Profit, as the PRC Company is regarded as a startup with a limited track record, there are no sufficient quantitative factors or data available to the Board to determine the First Guaranteed Profit and the Second Guaranteed Profit. Accordingly, the Board did not take into account any quantitative factors when determining the First Guaranteed Profit and the Second Guaranteed Profit. However, after carefully considered the qualitative factors as stated above, the Board believes that the PRC Company has the potential to fulfill the First Guaranteed Profit and Second Guaranteed Profit if the qualitative factors described above work out as presented by the Vendor.

The Board considers that (i) the First Guaranteed Profit and the Second Guaranteed Profit merely form a basis for finalising the final Consideration paid to the Vendor, and (ii) the Purchaser and thus the Group is properly protected by the terms of the Sale and Purchase Agreement. Under the payment mechanism as stipulated in the Sale and Purchase Agreement, the payment of the Consideration is a function of the achievement of the First Guaranteed Profit and the Second Guaranteed Profit under the payment mechanism. Under the payment mechanism, the Consideration shall be adjusted downward if the First Guaranteed Profit and the Second Guaranteed Profit are not achieved as follows:

- (i) if the First Actual Profit (as defined below) is less than the First Guaranteed Profit, the second payment of the Consideration of HK\$135,000,000 and the third payment of the Consideration of not more than HK\$640,000,000 shall not be payable; and
- (ii) if the Second Actual Profit (as defined below) is less than the Second Guaranteed Profit, the third payment of the Consideration of not more than HK\$640,000,000 shall be adjusted downward in accordance with the Sale and Purchase Agreement.

There is no provision in the Sale and Purchase Agreement that provided any upward adjustment to the Consideration. In other words, the amount of the Consideration (other than the First Payment) literally payable to the Vendor is based on the achievement of the First Guaranteed Profit and proportional to the Second Guaranteed Profit being achieved, and is capped at HK\$800,000,000. Given that the PRC Company is regarded as a startup with limited track record, the First Guaranteed Profit and the Second Guaranteed Profit under the payment mechanism serves the purpose of protecting the interest of the Company as it prevents the Purchaser and thus the Group from paying excessive consideration in the event that the PRC Company Group does not achieve the First Guaranteed Profit and/or the Second Guaranteed Profit.

LETTER FROM THE BOARD

The PRC Company Group is developing the Online Short Video Transaction Platform (as defined below), details of which are discussed in the paragraph headed “Reasons for the VIE Contracts” below. Although the determination of the First Guaranteed Profit and the Second Guaranteed Profit has not taken into account the Online Short Video Transaction Platform between the parties during negotiation of the Consideration, the Board is of the view that the establishment of the Online Short Video Transaction Platform will improve the work efficiency of the staff members, have synergistic effect to the existing business and enhance the competitiveness of the PRC Company and thus is beneficial to the Group.

After assessing the above factors, the Board considers that the First Guaranteed Profit and the Second Guaranteed Profit as contemplated under the Sale and Purchase Agreement are not unreasonable and acceptable to the Company.

Shareholders and potential investors should note that the First Guaranteed Profit and the Second Guaranteed Profit are merely the level of profit agreed by the Vendor and the Purchaser for determining the total amount of the Consideration. There is no guarantee that the First Guaranteed Profit and the Second Guaranteed Profit can be fulfilled or the actual profits of the PRC Company Group may be higher than the First Guaranteed Profit and the Second Guaranteed Profit, which means that no anticipated level of future profits or losses is quantified.

Conclusion

Having considered that (i) the amount of the Consideration determined based on the Benchmark P/E Ratio is fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the payment of the First Payment upon Completion is acceptable to the Company and in normal commercial term; (iii) the payment terms of the second and third payments of the Consideration serve the purposes to safeguard the interest, mitigate and manage the investment risk of the Group; and (iv) the First Guaranteed Profit and the Second Guaranteed Profit are not unreasonable and acceptable to the Company, the Board is of the view that the Consideration (including the payment terms and the profit guarantees) is fair and reasonable, and in the interests in the Company and the Shareholders as a whole.

The Consideration Shares

The Company shall allot and issue not more than 950,000,000 Consideration Shares for settlement of part of the Consideration. The Consideration Shares represent (i) approximately 24.87% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 19.92% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The issue of the Consideration Shares will not result in a change of control in the Company.

LETTER FROM THE BOARD

The Consideration Shares, when allotted and issued, will rank pari passu in all respects with all the Shares then in issue.

The Consideration Shares will be issued under the Specific Mandate to be sought at the SGM. Applications will be made to the Exchange by the Company for the listing of, and permission to deal in, the First Consideration Shares and the Second Consideration Shares respectively. The Company intends to submit the application for (i) the listing of the First Consideration Shares after the date of this circular but before the date of the SGM; and (ii) the listing of the Second Consideration Shares after the date of issue of the Second Auditor's Certificate or the announcement date of the annual results of the Company for the year ending 31 December 2022, whichever is earlier.

The Issue Price

The Issue Price of HK\$0.250 per Consideration Share represents:

- (i) a discount of 20.40% to the closing price of HK\$0.199 per Share as quoted on the Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 2.04% over the closing price of HK\$0.245 per Share as quoted on the Exchange on the date of the Sale and Purchase Agreement;
- (iii) a premium of approximately 0.81% over the average closing price of approximately HK\$0.248 per Share as quoted on the Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;
- (iv) a premium of approximately 3.73% over the average closing price of approximately HK\$0.241 per Share as quoted on the Exchange for the ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (v) a discount of approximately 60.44% to the unaudited consolidated net asset value of approximately HK\$0.632 per Share as at 30 June 2021, calculated based on the unaudited consolidated net asset value of the Group attributable to owners of the Company of HK\$2,412,690,000 as at 30 June 2021 divided by the total number of Shares in issue of 3,819,606,486 Shares as at the Latest Practicable Date.

The Issue Price was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into account the prevailing market price of the Shares.

LETTER FROM THE BOARD

It is the understanding of the Board that market prices of shares have been widely used as a basis for determining the issue prices for issuing new shares. The Board believes that the following limitations of net asset value suggests the reasons for net asset value per share not being used as a basis for determining an issue price for issuing new shares:

- (a) Theoretically, net asset value is roughly equal to the amount that shareholders can receive if they decide to liquidate a company. However, as net asset value takes into account fixed assets of a company which cannot be easily liquidated and realised into cash, there is no guarantee that shareholders can receive the amount close to the net assets of a company if it goes out of business.
- (b) Net asset value is an accounting concept, so it is subject to adjustments. Some of these adjustments, such as depreciation of property, plant and equipment, and amortisation of intangible assets, may vary as determined by different parties. Additionally, the application of the accounting practices and policies requires judgments, estimates, and assumptions made by the directors of a company can create other issues that affect the net asset value of a company.
- (c) Net asset value does not always reflect the full impact of claims on a company's assets and the costs of selling them. Net asset value may not show the corresponding effect if a company is in bankruptcy and/or has liens against its assets.
- (d) The increased importance of intangibles, such as right-of-use assets and goodwill, and difficulty in assigning values for them raises uncertainties on net asset value.

In negotiating the terms of the Acquisition, apart from the above reasons for not using net assets value for determining the Issue Price, the followings are the reasons for the Board used the market price of the Shares, rather than net asset value per Share, as a basis of determining the Issue Price:

- (a) The market price depends on how much people are willing to pay for and sell the Shares on an open market, which represents the value of the Company according to public without disputes.
- (b) The consolidated statement of financial position of the Group contains certain intangible items, such as rights-of-use assets, intangible assets, goodwill, and lease liabilities, which were/are subject to adjustments.
- (c) Using the market price of a listed company as a basis for determining an issue price of its new shares has been a prolonged market practice in the stock market of Hong Kong.

LETTER FROM THE BOARD

Although the Issue Price represents a discount of approximately 59.58% of the audited consolidated net asset value of the Group per Share as at 31 December 2020, given the factors as mentioned above, instead of net asset value, the Board considers that market price of the Shares provides a more precise value of the Company. Therefore, the Board considers that determining the Issue Price with reference to the market prices of the Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon the following conditions being fulfilled (or waived, as the case may be):

- (a) the Purchaser having been satisfied with the results of the due diligence review on the Target Company, the Hong Kong Company, the WFOE and the PRC Company Group;
- (b) the Vendor, the Target Company and the Guarantor having obtained all necessary consents and approvals for the sale and purchase of the Sale Share contemplated under the Sale and Purchase Agreement;
- (c) the Purchaser having obtained all necessary consents and approvals for the sale and purchase of the Sale Share contemplated under the Sale and Purchase Agreement;
- (d) the VIE Contracts and relevant documents having been duly executed and the Vendor Reorganisation and the Target Reorganisation having been completed in accordance with the terms of the Sale and Purchase Agreement;
- (e) the passing by the Shareholders at the SGM of an ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Promissory Notes and the allotment and issue of the Consideration Shares;
- (f) a legal opinion having been issued by a PRC legal adviser appointed by the Purchaser regarding the matters under Sale and Purchase Agreement (including but not limited to the legality and validity of the VIE Contracts to be executed in accordance with the Target Reorganisation) in the form and substance which are satisfactory to the Purchaser;

LETTER FROM THE BOARD

- (g) the warranties given by the Vendor under the Sale and Purchase Agreement having remained true, accurate and not misleading in all respects between the date of the Sale and Purchase Agreement and the Completion Date; and
- (h) the Listing Committee of the Exchange having granted the approval for the listing of and permission to deal in, the First Consideration Shares.

Save for conditions (b), (c), (d), (e), (f) and (h) which are incapable of being waived, the Purchaser may waive in writing conditions (a) and (g). As at the Latest Practicable Date, the Purchaser had no intention to waive conditions (a) and/or (g).

If the conditions have not been fulfilled or waived by the Purchaser (if applicable) at or before 12:00 noon on 28 February 2022 (or such later date as the Purchaser and the Vendor may agree), the Sale and Purchase Agreement shall cease and determine and neither party shall have any obligations and liabilities under the Sale and Purchase Agreement save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, conditions (d) and (f) had been fulfilled.

Completion

Assuming the approval regarding the listing of the First Consideration Shares is granted from the Exchange on or before the date of the SGM, it is expected that condition (e) would be the last condition precedent to be fulfilled. As such, the Completion Date is expected to be within ten (10) Business Days after the date of the SGM.

After the fulfillment or waiver (if applicable) of all the conditions precedent, Completion shall take place on the Completion Date.

LETTER FROM THE BOARD

Upon Completion, the Target Group will become indirect wholly-owned subsidiaries of the Company and therefore, the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group. The Directors have discussed with the auditors of the Company and it has confirmed that the financial results of the PRC Company will be consolidated into the accounts of the Group as long as all the contractual arrangements pursuant to the VIE Contracts remain effective. The Target Company, by virtue of the execution of the VIE Contracts among the PRC Company, the PRC Equity Owners, the WFOE and such other parties, can enjoy the economic interests and benefits of the PRC Company.

Profit guarantee

Pursuant to the Sale and Purchase Agreement, the Vendor has irrevocably warranted and guaranteed to the Purchaser that:

- (i) the audited consolidated net profit after tax (excluding extraordinary items) of the Target Group calculated in accordance with the Hong Kong Financial Reporting Standards as shown in the audited consolidated accounts of the Target Group for the period from 1 July 2021 to 31 December 2021 (the “**First Guaranteed Period**”) shall not be less than RMB25,000,000 (the “**First Guaranteed Profit**”); and
- (ii) the audited consolidated net profit after tax (excluding extraordinary items) of the Target Group calculated in accordance with the Hong Kong Financial Reporting Standards as shown in the audited consolidated accounts of the Target Group for the period from 1 January 2022 to 31 December 2022 (the “**Second Guaranteed Period**”) shall not be less than RMB100,000,000 (the “**Second Guaranteed Profit**”).

The First Guaranteed Profit

In the event that the actual audited consolidated net profit after tax (excluding extraordinary items) of the Target Group for the First Guaranteed Period (the “**First Actual Profit**”) is

- (i) is equal to or more than the First Guaranteed Profit, the Company shall issue the First Promissory Note with a principal amount of HK\$135,000,000 to the Vendor within ten (10) Business Days after the date of issue of the First Auditor’s Certificate or the announcement date of the annual results of the Company for the year ending 31 December 2021, whichever is later, or such other date as agreed between the Vendor and the Purchaser; or

LETTER FROM THE BOARD

- (ii) is less than the First Guaranteed Profit, the second payment of the Consideration of HK\$135,000,000 (i.e. the First Promissory Note) and the third payment of the Consideration of not more than HK\$640,000,000 (including the cash payment of HK\$120,000,000, the Second Promissory Note and the Second Consideration Shares) shall not be paid.

The Second Guaranteed Profit

Subject to the fulfillment of the First Guaranteed Profit, in the event that the actual audited consolidated net profit after tax (excluding extraordinary items) of the Target Group for the Second Guaranteed Period (the “**Second Actual Profit**”)

- (i) is equal to or more than the Second Guaranteed Profit, the Purchaser or the Company (as the case may be) shall (a) pay HK\$120,000,000 to the Vendor by way of cashier’s order or cheque, (b) issue the Second Promissory Note with a principal amount of HK\$307,500,000 to the Vendor, and (c) allot and issue 850,000,000 Second Consideration Shares at the Issue Price of HK\$0.250 per Second Consideration Share to the Vendor within ten (10) Business Days after the date of issue of the Second Auditor’s Certificate or the announcement date of the annual results of the Company for the year ending 31 December 2022, whichever is later, or such other date as agreed between the Vendor and the Purchaser; or
- (ii) is less than the Second Guaranteed Profit, the remaining adjusted Consideration to the Vendor shall be paid by issuing cashier’s order or cheque, the Second Promissory Note and allotment and issue of the Second Consideration Shares according to the following calculations:

$$N = \text{HK\$}640,000,000 \times P$$

where

for the Second Guaranteed Period,

1. N shall be the remaining Consideration payable by the Purchaser to the Vendor; and

LETTER FROM THE BOARD

2. P shall be calculated based on the following scale:

Amount of the Second Actual Profit	P
Is less than RMB25,000,000	0%
Not less than RMB25,000,000 but less than RMB50,000,000	25%
Not less than RMB50,000,000 but less than RMB75,000,000	50%
Not less than RMB75,000,000 but less than RMB100,000,000	75%

The adjusted remaining Consideration shall be payable by the Purchaser to the Vendor by issuing cashier's order or cheque, and the Company to issue the Second Promissory Note and allot and issue the Second Consideration Shares at the Issue Price of HK\$0.250 per Second Consideration Share according to the following formula:

The amount of cash consideration payable by the Purchaser

$$= \text{HK\$}120,000,000 \times P$$

The principal amount of the Second Promissory Note to be issued by the Company

$$= \text{HK\$}307,500,000 \times P$$

The number of the Second Consideration Shares to be allotted and issued by the Company at the Issue Price of HK\$0.250 per Second Consideration Share

$$= 850,000,000 \text{ Second Consideration Shares} \times P$$

The Vendor and the Purchaser shall procure that the respective audited consolidated financial statements of the Target Group for each of the First Guaranteed Period and the Second Guaranteed Period be prepared, issued and reported on by the auditors designated by the Purchaser in accordance with Hong Kong Financial Reporting Standards together within three (3) months after the expiry of each of the relevant profit guarantee periods and issue a certificate for the audited consolidated net profit/loss after tax of the Target Group for the First Guaranteed Period (the “**First Auditor’s Certificate**”) and the Second Guaranteed Period (the “**Second Auditor’s Certificate**”).

LETTER FROM THE BOARD

For the avoidance of doubt, (i) if the actual audited consolidated net profit after tax (excluding extraordinary items) of the Target Group is more than the relevant guaranteed profit for the First Guaranteed Period and/or the Second Guaranteed Period, the Purchaser is not required to pay any additional consideration to the Vendor other than the Consideration; and (ii) if the First Actual Profit is less than the First Guaranteed Profit, regardless of the amount of the Second Actual Profit, the Purchaser and the Company shall not be required to pay the second and third payments of the Consideration to the Vendor.

Undertaking by the Vendor

Pursuant to the Sale and Purchase Agreement, the Vendor has undertaken to the Company and the Purchaser not to transfer, dispose of, create any encumbrances or other rights on or grant options in respect of the First Consideration Shares after the allotment and issue of the First Consideration Shares and until 31 March 2022 without the prior written consent of the Purchaser.

Undertaking by the Guarantor

The Guarantor has irrevocably agreed to guarantee as primary obligor the performance by the Vendor of its obligations under the Sale and Purchase Agreement until the Completion Date.

THE PROMISSORY NOTES

Subject to the terms and conditions of the Sale and Purchase Agreement, the Company shall issue the Promissory Notes to the Vendor for settlement of part of the Consideration. The principal terms and conditions of the Promissory Notes are as follows:

Issuer: The Company

Noteholder: The Vendor

The First Promissory Note

Principal amount: HK\$135,000,000

Interest: Nil

Maturity date: The issuer shall repay the outstanding principal sum on 30 September 2022.

LETTER FROM THE BOARD

The Second Promissory Note

Principal amount:	Not more than HK\$307,500,000
Interest:	5% per annum, payable on the maturity date
Maturity date:	The issuer shall repay the outstanding principal sum, together with any unpaid and accrued interest on the date falling three (3) years from the date of issue of the Second Promissory Note (or if that is not a Business Day, the first Business Day thereafter).

General terms of the Promissory Notes

Security:	The obligations of the Company under the Promissory Notes are unsecured.
Transferability:	The Promissory Notes may be transferred or assigned by the noteholder(s) to any persons (except for connected persons of the Company) provided that the noteholder(s) shall serve a prior written notice to the Company of not less than ten (10) Business Days.
Early redemption by the Company:	The Company may redeem all or part of the outstanding principal amount of the Promissory Notes together with the accrued but unpaid interest thereon (as the case for the Second Promissory Note) at any time from the issue date up to the Business Day immediately before the maturity date by serving not less than ten (10) Business Days' prior written notice to the noteholder, provided that each redemption shall be made in the principal amount of not less than HK\$5,000,000 (or the entire outstanding principal amount if the outstanding principal amount of the Promissory Notes is less than HK\$5,000,000).

THE VIE CONTRACTS

The WFOE, the PRC Company, the PRC Equity Owners and such other parties have entered into the VIE Contracts, being a series of agreements, confirmations and/or power of attorney, as part of the Target Reorganisation. The VIE Contracts have been entered into by the relevant parties in compliance with the relevant Listing Rules and guidance letter issued by the Exchange from time to time, including but not limited to Guidance Letter (HKEx-GL77-14).

LETTER FROM THE BOARD

Principal terms of the VIE Contracts

The VIE Contracts would be published on the Company's website to promote transparency. Set out below are the principal terms of the VIE Contracts:

(i) The Exclusive Business Cooperation Agreement

Date: 27 August 2021

Parties: (i) the WFOE
(ii) the PRC Company
(iii) the PRC Equity Owners

Subject matter: The PRC Company shall engage the WFOE for the provision of management, consulting services, technical support and other commercial services on exclusive basis.

Term: The Exclusive Business Cooperation Agreement shall be effective upon execution by the parties and shall be terminated (i) upon completion of transfer of all the equity interests in the PRC Company held by the PRC Equity Owners to the WFOE pursuant to the Exclusive Purchase Right and Equity Custodian Agreement; (ii) by the WFOE, upon any breach of contract by the PRC Company, by serving a written notice to the PRC Company thirty (30) days in advance, (iii) upon the PRC Company becoming bankrupt, liquidated, terminated, dissolved, revoked for holding relevant business license or other similar situations, or (iv) by the WFOE at any time by serving a written notice to the PRC Company ten (10) days in advance.

The PRC Company and the PRC Equity Owners shall have no right to terminate the Exclusive Business Cooperation Agreement.

Fee: In respect to the services provided by the WFOE to the PRC Company contemplated in the Exclusive Business Cooperation Agreement, the PRC Company shall pay the WFOE the service fees. The service fees shall be 100% of the total consolidated profit of the PRC Company before tax, after the deduction of any accumulated deficit of the PRC Company in the preceding financial year(s) (if any), operating costs, reasonable expenses, taxes and other statutory contributions in any financial year.

LETTER FROM THE BOARD

(ii) The Exclusive Purchase Right and Equity Custodian Agreement

Date: 27 August 2021

Parties: (i) the WFOE
(ii) the PRC Company
(iii) the PRC Equity Owners

Subject matter: The PRC Company and the PRC Equity Owners shall irrevocably grant the WFOE or its nominee(s) an exclusive right to purchase all or part of the PRC Equity Owners' equity interests in the PRC Company or all or any assets (as the case may be) of the PRC Company as permitted under the then PRC laws, at RMB1 or the lowest price permissible under the PRC laws. Where the purchase price required by the relevant PRC laws is more than RMB1, the PRC Equity Owners shall return the amount of purchase price they have received less the RMB1 to the WFOE or its nominee(s).

The PRC Equity Owners and the PRC Company shall be prohibited from selling, offering to sell, transferring, donating, pledging or otherwise disposing of all or part of the equity interests, or all or part of the assets (as the case may be) in the PRC Company, or granting others a right to purchase such equity interests or assets (as the case may be), without the prior written consent from the WFOE.

The PRC Equity Owners shall unconditionally and irrevocably grant to the WFOE or its nominee(s) a right to manage the entire equity interest in the PRC Company as custodian.

The PRC Equity Owners shall unconditionally and irrevocably authorise the WFOE or its successor to exercise all of their rights as shareholders of the PRC Company under the PRC laws.

LETTER FROM THE BOARD

Term: The Exclusive Purchase Right and Equity Custodian Agreement shall be effective upon (i) execution by the parties and shall remain effective until completion of transfer of all the equity interests in the PRC Company held by the PRC Equity Owners to the WFOE pursuant to the Exclusive Purchase Right and Equity Custodian Agreement, or (ii) termination by the WFOE at any time by serving a written notice to the PRC Company ten (10) days in advance.

The PRC Company and the PRC Equity Owners shall have no right to terminate the Exclusive Business Cooperation Agreement.

(iii) The Equity Pledge Agreement

Date: 27 August 2021

Parties: (i) the WFOE
(ii) the PRC Company
(iii) the PRC Equity Owners

Subject matter: The PRC Equity Owners shall agree to pledge all of its equity interest in the PRC Company to the WFOE to secure the performance of the obligations of the PRC Company Group and the PRC Equity Owners under the VIE Contracts.

In the event that the PRC Company Group and/or the PRC Equity Owners breach any of the obligations under the VIE Contracts, the Purchaser has the right to require the PRC Company Group and the PRC Equity Owners to transfer the equity interest or underlying assets of the PRC Company as contemplated under the Exclusive Purchase Right and Equity Custodian Agreement to the Purchaser or its nominee.

During the term of the pledge, the dividends and/or other distribution generated by the pledged equity interests shall be returned to the WFOE.

LETTER FROM THE BOARD

Term: The Equity Pledge Agreement shall be effective upon registration of the equity pledge and shall be terminated upon (i) the discharge of all obligations of the PRC Company Group and the PRC Equity Owners under the VIE Contracts, or (ii) the WFOE is permitted under the PRC laws to directly hold the equity interest in the PRC Company.

(iv) The Power of Attorney

Date: 27 August 2021

Parties: The PRC Equity Owners

Subject matter: The PRC Equity Owners shall unconditionally and irrevocably authorise the WFOE or its successor (including but not limited to the directors of the WFOE and/its parent company, their successors and liquidators, but does not include anyone who is a connected person (as defined in the Listing Rules) of the PRC Equity Owners or the PRC Company (including the PRC Equity Owners, the current directors, chief executives and supervisors of any members of the PRC Company Group, directors of any members of the PRC Company Group in the last 12 months, and associates (as defined in the Listing Rules) of the above persons) or may cause conflict of interests to the WFOE) to exercise all of their rights as shareholders of the PRC Company, including but not limited to:

- (i) attending and participating shareholders' meetings of the PRC Company and exercising all the shareholder's rights and shareholder's voting rights, signing minutes, filing documents with the relevant authorities;
- (ii) selling, transferring, securing or disposing of the shares in the WFOE;
- (iii) deciding on the PRC Company's business policy and investment plan;
- (iv) other than those senior management agreed to be retained by the WFOE, designating and appointing legal representative, executive director, supervisor, chief executive officer and other senior management, and in case of liquidation and dissolution, the relevant team members;

LETTER FROM THE BOARD

- (v) reviewing and approving reports from the board of directors and supervisors, annual budget, profit distribution plan and loss recovery plan;
- (vi) making decision regarding registered capital, bond, merger, division, change of company form, dissolution and liquidation;
- (vii) accepting or waiving the distribution of dividend;
- (viii) signing of documents;
- (ix) handling procedures regarding administrative approval and/or business registration;
- (x) exercising voting rights, decision-making rights and all other powers regarding the subsidiaries of the PRC Company; and
- (xi) other shareholder's rights as specified under the laws and regulations of the PRC and the articles of association of the PRC Company.

Term: The Power of Attorney shall be effective upon execution and shall remain effective until the earliest of (i) the date on which each of the PRC Equity Owner ceases to be a shareholder of the PRC Company; and (ii) the expiration date or extended expiration date (if any) of the operating period of the PRC Company, or (iii) the date of the termination notice issued by the WFOE to the PRC Equity Owners.

(v) *The Spouse Consent*

Date: 27 August 2021

Parties: The spouse of each of the PRC Equity Owners

Term: The Spouse Consent shall be effective upon execution by the relevant party.

LETTER FROM THE BOARD

Subject matter: The spouse of each of the PRC Equity Owners shall unconditionally and irrevocably agree

- (i) the respective PRC Equity Owner to enter into the VIE Contracts and the execution of the obligations of the respective PRC Equity Owner under the VIE Contracts;
- (ii) that all the equity interests held by the respective PRC Equity Owner in the WFOE and all the benefits generated from these equity interests do not form part of their matrimonial property;
- (iii) that all the benefits generated from the equity interests in the WFOE belong to the respective PRC Equity Owner and can be dealt with in any way by the respective PRC Equity Owner without the consent of the spouse;
- (iv) not to take any action with the intent to interfere with the VIE Contracts; and
- (v) under all circumstances, including divorce, not to intervene in the operation and management of the WFOE, claim any rights and interests related to the equity and assets of the WFOE or take any actions that may affect or hinder the respective PRC Equity Owner from fulfilling the obligations under the VIE Contracts.

Compliance of the VIE Contracts with the PRC laws, rules and regulations

As discussed in the PRC Legal Opinion, the PRC contract law has been repealed by the Civil Code of the PRC from 1 January 2021. Thus, the positive confirmation that the VIE Contracts would not be deemed as “concealing illegal intentions with a lawful form” and void under the PRC contract law is inapplicable. Instead, the PRC Legal Adviser has confirmed in the PRC Legal Opinion that (i) the VIE Contracts are legal, valid and binding on the parties thereto, the contents of each of the VIE Contracts do not violate the mandatory provisions of the current PRC laws, except under the situation that under the current PRC laws, the arbitration body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, therefore the injunctive relief and other

LETTER FROM THE BOARD

temporary relief measures under VIE Contracts may not be legally and effectively enforced under current PRC law; and (ii) the execution and performance of the VIE Contracts do not violate the provisions of 中華人民共和國民法典 (the Civil Code of the PRC) including in particular “impairing others’ legitimate rights and interests with malicious collusion” or fall within any of the circumstances under which a contract may become invalid pursuant to the Civil Code of the PRC.

Other matters under the VIE Contracts

Dispute resolution

The VIE Contracts shall be governed by the PRC laws. Pursuant to the VIE Contracts, any dispute arising from the VIE Contracts between the parties shall first be resolved through negotiation in an amicable manner. In case the dispute cannot be resolved within thirty (30) days, any party may submit the said dispute to Shenzhen Court of International Arbitration for arbitration. The results of arbitration shall be final and binding on the parties. Subject to the PRC laws and regulations and the rules of Shenzhen Court of International Arbitration then in effect, (i) the arbitrators may award remedies over the equity interest or assets of the PRC Company, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) and/or winding up of the PRC Company; and (ii) the courts of the PRC, Hong Kong, BVI, Bermuda and the places where the WFOE or the PRC Company’s principal assets are located have the jurisdictions to grant interim injunctive relief or other interim remedies in support of the arbitration pending formation of the arbitration tribunal or in appropriate cases.

Succession

The provisions set out in the VIE Contracts are also binding on the successors of the PRC Equity Owners. In the event of bankruptcy of the PRC Company or incapacitation, death, bankruptcy or divorce of the PRC Equity Owners, as set out in the PRC Legal Opinion, under the succession laws of the PRC, the statutory successors include one’s spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by such successors would be a breach of the VIE Contracts. In case of a breach, the WFOE has the right to claim against the successors in accordance with the VIE Contracts, without affecting the validity of the VIE Contracts.

LETTER FROM THE BOARD

Loss Sharing

According to the PRC Legal Opinion, neither the VIE Contracts nor PRC laws and regulations require that the Company and the WFOE be obligated to share the losses of, or provide financial support to the PRC Company. Further, the PRC Company is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it.

Despite the foregoing, given that the Group intends to allow the PRC Company which holds the requisite PRC licenses and approvals on its own, and that the PRC Company's financial condition and results of operations will be consolidated into the Company's financial statements under the applicable accounting principles, the Group's business, financial condition and results of operations would be adversely affected if the PRC Company suffers losses. However, due to the relevant restrictive provisions in the Exclusive Purchase Right and Equity Custodian Agreement as more particularly set out in the paragraph headed "(ii) The Exclusive Purchase Right and Equity Custodian Agreement" above, the potential adverse effect on the WFOE and the Company in the event of any loss suffered from the PRC Company is limited.

Liquidation

Under the provisions of the VIE Contracts, in the event of dissolution or liquidation of the PRC Company, the WFOE shall have the right to appoint a liquidator for the PRC Company to manage all the assets of the PRC Company. The PRC Equity Owners shall, to the extent permitted by the PRC laws and regulations, after settling liquidation expenses, wages, social insurance premiums, statutory compensations, taxes and liabilities, dispose all the residual assets owned by the PRC Company to the WFOE or any person(s) designated by the WFOE, at an aggregate consideration of RMB1 or the minimum purchase price permitted by the PRC laws and regulations.

Conflict of interests

Pursuant to the Equity Pledge Agreement, the PRC Equity Owners has undertaken (i) unless having obtained written consent from the WFOE, not to directly or indirectly participate, engage in, acquire or hold any business which is or maybe in competition with the business of the PRC Company Group; (ii) not to take or omit to take any action which may lead to conflicts of interest with the WFOE; and (iii) if there is any conflict of interest, the WFOE shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws.

LETTER FROM THE BOARD

The Power of Attorney provides that (i) each of the PRC Equity Owners will not act in collusion with the persons authorised by the WFOE, against the interest of the WFOE; and (ii) the authorisations will only be granted to the WFOE or its successor (including but not limited to the directors of the WFOE and/its parent company, their successors and liquidators, but does not include anyone who is not independent of the PRC Equity Owners or the PRC Company (not a connected person) or may cause conflict of interests to the WFOE) to avoid any conflict of interests.

Internal control

Set out below are the internal control measures to be adopted by the Group to monitor the operation of the PRC Company Group:

Management controls

- (a) the Group shall appoint an executive Director or senior management (the “**Representative**”) to the board of the PRC Company mainly responsible for exercising all management controls of the PRC Company. The Representative is required to conduct monthly reviews on the operations of the PRC Company and shall submit the monthly reviews to the Board. The Representative is also required to check the authenticity of the monthly management accounts of the PRC Company;
- (b) the Representative shall be actively involved in various aspects of the daily managerial and operational activities of the PRC Company;
- (c) the Representative shall report any major events of the PRC Company to any executive Director or the chief financial officer of the Company, who must in turn report to the Board;
- (d) the Representative shall conduct regular site visits to the PRC Company and conduct personnel interviews on a quarterly basis and submit reports to the Board; and
- (e) all seals, chops, incorporation documents and all other legal documents, to the extent permitted by the PRC laws, of the PRC Company must be kept at the office of the WFOE.

LETTER FROM THE BOARD

Financial controls

- (a) the finance department of the Company (the “**Finance Department**”) shall collect monthly management accounts, bank statements of every bank account and cash balances and major operational data of the PRC Company within thirty (30) days after each month end for review. The Finance Department will seek explanations from the senior management of the PRC Company on any material fluctuations of the aforesaid collected items. Upon discovery of any suspicious matters, the Finance Department must report to the Board;
- (b) if the payment of the services fees by the PRC Company to the WFOE is delayed, the Finance Department must meet with the PRC Equity Owners of the PRC Company to investigate, and should report any suspicious matters to the Board; and
- (c) the PRC Company must assist and facilitate the Company to conduct all on-site internal audits as required by the Company.

Legal review

- (a) the Representative shall consult the Company’s PRC legal adviser from time to time to check if there are any legal developments in the PRC affecting the arrangement contemplated under the VIE Contracts, and should immediately report to the Board so as to allow the Board to determine if any modification or amendment are required to be made;
- (b) major issues arising from implementation and performance of the VIE Contracts will be reviewed by the Board on a regular basis which will be no less frequent than on a quarterly basis. The Board will determine, as part of its periodic review process, whether legal advisers and/or other professionals will need to be retained to assist the Group to deal with specific issues arising from the VIE Contracts; and
- (c) matters relating to compliance and regulatory enquiries from governmental authorities, if any, will be discussed by the Board on a regular basis which will be no less frequent than on a quarterly basis.

Reasons for the VIE Contracts

The PRC Company Group is principally engaged in provision of online marketing solutions (including production of short video advertisements) and advertising agency services. As advised by the management of the PRC Company Group, the PRC Company Group is developing an online short video transaction platform (the “**Online Short Video Transaction Platform**”), which involves production and transaction of radio and television program as well as provision of internet information services and mainly offers one-stop

LETTER FROM THE BOARD

short video services including short video task release, task order acceptance, cross-media delivery, effect optimisation analysis, tariff settlement and other functions. It is expected that the revenue source of the PRC Company Group is expected to be further broadened after establishment of the Online Short Video Transaction Platform.

As advised by the management of the PRC Company Group, the Online Short Video Transaction Platform is currently under internal testing phase and is expected to be launched in the second half of 2021 for internal use in the PRC Company Group first and thereafter open to the public, subject to the grant of relevant licenses and/or approvals from the relevant regulatory authorities. It is believed that upon establishment of the Online Short Video Transaction Platform for internal use, different stages of short video marketing can be centralised on the Online Short Video Transaction Platform for responsible staff members to assess and process in a timely manner such that the effectiveness of the PRC Company Group's operation will be improved. After launch of the Online Short Video Transaction Platform to the public, there will be additional revenue source to the PRC Company Group. As the PRC Company Group can offer services through the Online Short Video Transaction Platform as one of the short video producers, synergistic effect is expected to generate to the existing business the PRC Company Group as well.

As advised by the PRC Legal Adviser and according to the PRC Legal Opinion, the launch of the Online Short Video Transaction Platform involves the Program License (as defined below) and the Telecommunication License (as defined below).

As stated in the PRC Legal Opinion, under 《廣播電視節目製作經營管理規定》(Provisions for the Administration of the Production and Distribution of Radio and Television Programs*) promulgated by National Radio and Television Administration, establishing a radio and television program production company or engaging in radio and television program production business require “廣播電視節目製作經營許可證” (radio and TV program production and business operation license*, the “**Program License**”). According to 《外商投資准入特別管理措施（負面清單）（2020年版）》(Special Administrative Measures for Foreign Investment Access (Negative List) (2020 edition)*, the “**Negative List**”) published by National Development and Reform Commission and Ministry of Commerce, radio and TV program production is strictly prohibited from foreign investors.

As stated in the PRC Legal Opinion, for provision of online information services business, “增值電信業務經營許可證” (value-added telecommunication business operation license*, the “**Telecommunication License**”) is required under 《中華人民共和國電信條例（2016年修訂）》(Telecommunication Regulations of the PRC (Revised in 2016)* and 《電信業務分類目錄》(Telecom Business Classification Directory*). According to the Negative List, the ratio of investment by foreign investors in a company providing value-added

* For identification purposes only

LETTER FROM THE BOARD

telecommunications services (except for electronic commerce, domestic multi-party communication, store-and-forward, and call center) shall not exceed 50%.

In addition, a 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**”). As advised by the PRC Legal Adviser and according to the PRC Legal Opinion, currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. As the Group has no prior experience in operating value-added telecommunications businesses and does not have a proven track record of relevant business operations overseas, the Group does not meet the Qualification Requirements.

Based on the above, as (i) the Group does not meet the Qualification Requirements, which means that the Group is not qualified to be the foreign shareholder of the PRC Company Group that will engage in value-added telecommunications business; and (ii) the Negative List prohibits foreign investors from radio and TV program production and restricts the ratio of investment in a value-added telecommunication services company by foreign investors to not exceeding 50%, it is impracticable for the Group to acquire the equity interest in the PRC Company Group directly without contractual arrangements i.e. the VIE Contracts. As such, the VIE Contracts have to be entered into such that both the Program License and the Telecommunication License can be obtained, and the Online Short Video Transaction Platform can be established.

Nevertheless, to be prepared for fulfilling the Qualification Requirements in future, the Group will accumulate operational experience and maintain a proven track record through the operation of the PRC Company Group following Completion. Meanwhile, the Group will explore other relevant business opportunities to gain experience in satisfying the Qualification Requirements. The Group will acquire the equity interest of the PRC Company as soon as the Group satisfies the Qualification Requirements and complies with the required procedures, when such requirements and procedures become clear in future.

LETTER FROM THE BOARD

The PRC Company has obtained the Program License and Telecommunication License on 14 July 2021 and 9 September 2021 respectively.

Board's view on the VIE Contracts

The Group is not permitted to hold any equity interest in the PRC Company Group directly under the circumstance that both Program License and the Telecommunication License are required for operating the Online Short Video Transaction Platform. To comply with the applicable PRC laws, the relevant parties are required to enter into the VIE Contracts. The VIE Contracts enable the WFOE to gain effective control over the PRC Company and to be entitled to the entire economic interests and benefits of the PRC Company. Pursuant to the relevant provisions of the VIE Contracts, the WFOE has the right to unwind the VIE Contracts as soon as the relevant PRC laws allow the WFOE to register itself as the shareholder of the PRC Company. The Board confirms that appropriate arrangements have been made to protect the Company's interests in the PRC Company in the event of death, bankruptcy or divorce of the PRC Equity Owners to avoid any practical difficulties in enforcing the VIE Contracts. Based on the above, the Board is of the view that the Contracts are narrowly tailored to achieve the PRC Company's business purpose and to minimise the potential conflicts with and relevant PRC laws and regulations. The Board considers that the VIE Contracts are enforceable under the relevant PRC laws save for the circumstances as disclosed in the paragraph headed "Certain terms of the VIE Contracts may not be enforceable under the PRC laws" below.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the PRC Company had not encountered any interference or encumbrance from any governing bodies in operating its business.

LETTER FROM THE BOARD

Risk factors in relation to the VIE Contracts

The government may determine that the VIE Contracts do not comply with applicable regulations

The Foreign Investment Law, which was approved by the National People's Congress on 15 March 2019, has come to effect on 1 January 2020. The Foreign Investment Law states that a negative list, which refers to the special administrative measures for assess of foreign investment in specific areas in the PRC, shall be issued by or upon approval by the State Council. Foreign investors are not allowed to invest in areas where the negative list stipulates that foreign investment is prohibited. The definition of "foreign investment" under the Foreign Investment Law, does not explicitly include contractual arrangements (i.e. the VIE Contracts). In future, if no other laws or regulations that include contractual arrangements as foreign investment, the VIE Contracts may not be deemed as "foreign investments" under the Foreign Investment Law and the VIE Contracts shall continue to be effective and legally binding on the parties thereto. Nevertheless, the Foreign Investment Law states that the definition of foreign investments refers to, amongst others, "investments made by foreign investors in China through other means stipulated under laws or administrative regulations or provisions of the State Council", without explanation of "other means". In case that contractual arrangement is regarded as a form of foreign investment in future, it is uncertain whether contractual arrangement will be regarded as a violation of foreign investment access regulations and how the VIE Contracts will be dealt with. Therefore, there is no guarantee that the VIE Contracts and the business of the PRC Company Group will not be materially and adversely affected in the future due to changes in the PRC laws and regulations.

In order to continuously monitor the future amendment of the Foreign Investment Law to assess the possible impact on the VIE Contracts and the business of the PRC Company Group, the Board will monitor the updates of the Foreign Investment Law and discuss with the PRC Legal Adviser on a regular basis. In case there would be material impact on the Group or the business of the PRC Company Group, the Company will timely publish announcements in relation to material developments of and arising from the Foreign Investment Law.

LETTER FROM THE BOARD

The VIE Contracts may not provide control as effective as direct ownership

To operate the business of the Target Company, the Group shall rely on the contractual arrangements under the VIE Contracts, which may not be as effective in providing the WFOE with control over the Target Company as direct ownership. If the WFOE has direct ownership of the Target Company, the WFOE will be able to exercise its rights as a shareholder to effect changes in the board of directors of the PRC Company, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the VIE Contracts, the Group can only rely on the PRC Equity Owners and the PRC Company to perform their obligations under the VIE Contracts such that the WFOE can exercise effective control over the PRC Company. It is possible that the PRC Equity Owners may not act in the best interests of the WFOE or may not perform its obligations under the VIE Contracts. Therefore, the VIE Contracts may not be as effective in ensuring the WFOE's control over the PRC Company as direct ownership would be.

The PRC Equity Owners may have potential conflicts of interest with the Group

The Group's control over the PRC Company is based on the contractual arrangement under the VIE Contracts. If there is conflict of interest of the PRC Equity Owners, the interest of the Company will be adversely affected. Pursuant to the Power of Attorney, each of the PRC Equity Owner has unconditionally and irrevocably authorised the WFOE to exercise all of their rights as shareholders of the PRC Company. As such, potential conflict of interests is unlikely to arise.

Further, pursuant to the Equity Pledge Agreement and the Power of Attorney, the PRC Equity Owners have undertaken (i) unless having obtained written consent from the WFOE, not to directly or indirectly participate, engage in, acquire or hold any business which is or maybe in competition with the business of the PRC Company Group; (ii) not take or omit to take any action which may lead to conflicts of interest with the PRC Equity Owners; and (iii) if there is any conflict of interest, the WFOE shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws.

LETTER FROM THE BOARD

The VIE Contracts may be subject to scrutiny of tax authorities and additional tax may be imposed

If the PRC tax authorities determine that the arrangements under the VIE Contracts were not entered into based on arm's length negotiations, the Group could face material adverse tax consequences. In such cases, the tax authorities may adjust the income and expenses of the WFOE and/or the PRC Company for the PRC tax purposes, which could result in higher tax liabilities on the WFOE. The operating and financial results of the Group may be materially and adversely affected if the tax liabilities of the PRC Company or those of the WFOE increase significantly or if they are required to pay interest on late payments and other penalties.

The Group may bear economic risk arising from potential financial burden for supporting the PRC Company

Under the Exclusive Business Corporation Agreement, when the PRC Company is suffered from operating loss, operating or financing difficulties, the WFOE, as the primary beneficiary of the PRC Company, has the right to decide, but not obligated, whether to continue to operation of and/or furnish financial support to the PRC Company. In such circumstances, financial burden may incur to the Group. In addition, as the financials of the PRC Company will be consolidated into the Group's financial statements under the applicable accounting principles after Completion, the Company's business, financial position and results of operations may be adversely affected if the PRC Company Group records losses.

Certain terms of the VIE Contracts may not be enforceable under the PRC laws

The VIE Contracts provide that Shenzhen International Arbitration Court may award remedies over the equity interests or assets of the PRC Company or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the PRC Company. The VIE Contracts also include a clause in relation to dispute resolution among the parties where, when pending the formation of the arbitration tribunal or otherwise under appropriate conditions, the parties thereto may seek temporary injunctive relief or other temporary remedies from the courts in Hong Kong, BVI, Bermuda, the PRC and the location where the principal assets of the parties thereto are located.

However, as stated in the PRC Legal Opinion, the PRC Legal Adviser is of the view that pursuant to the PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of the PRC Company. As such, interim relief measures under the VIE Contracts cannot be legally and effectively implemented under the current PRC laws.

LETTER FROM THE BOARD

In addition, even though the VIE Contracts provide that overseas courts (e.g. courts in Hong Kong, BVI and Bermuda) shall have the power to grant certain relief or remedies, such relief or remedies may not be recognised or enforced under the court of the PRC. As a result, in the event that any of the PRC Company or the PRC Equity Owners breaches the terms of the VIE Contracts, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the PRC Company could be materially and adversely affected.

Furthermore, notwithstanding the relevant contractual provisions contained in the VIE Contracts, courts of competent jurisdiction may grant interim remedies only to the extent as permitted under the court of the PRC. Therefore, such interim remedies may not be available under the court of the PRC.

A substantial amount of costs and time may be involved in transferring the ownership of the PRC Company to the Group under the Exclusive Purchase Right and Equity Custodian Agreement

In case the WFOE exercises its option to acquire all or part of the equity interests in the PRC Company under the Exclusive Purchase Right and Equity Custodian Agreement, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under the applicable PRC laws. In addition, the abovementioned acquisitions may be subject to a minimum price limitation (such as an appraised value for the equity interests in the PRC Company) or other limitations as imposed by the applicable PRC laws. Further, a substantial amount of taxes, other necessary costs (if any), expenses and time may be involved in transferring the ownership of the PRC Company, which may have a material adverse impact on the Group's business, prospects and results of operation.

The Company does not have any insurance which covers the risks relating to the VIE Contracts and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the VIE Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the VIE Contracts in the future, such as those affecting the enforceability of the VIE Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of VIE Contracts, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. The Company will continue evaluating the feasibility, the cost and the benefit of insuring the transactions contemplated under the VIE Contracts.

LETTER FROM THE BOARD

Uncertainty may cast on the Group when the foreign ownership restriction in value-added telecommunications is relaxed as there is no clear guidance on or interpretation of the Qualification Requirement

As advised by the PRC Legal Adviser and according to the PRC Legal Opinion, currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements of possessing prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas. If the restrictions on foreign ownership in value-added telecommunications businesses in relation to the provision of internet information services by the PRC Company Group are lifted in the PRC, the WFOE may be required to unwind the VIE Contracts before the PRC Company is in a position to fully comply with the Qualification Requirements.

To be prepared for fulfilling the Qualification Requirements in future, the Group will accumulate operational experience and maintain a proven track record through the operation of the PRC Company Group following Completion. Meanwhile, the Group will explore other relevant business opportunities to gain experience in satisfying the Qualification Requirements. The Group will acquire the equity interest of the PRC Company as soon as the Group satisfies the Qualification Requirements and complies with the required procedures, when such requirements and procedures become clear in future.

INFORMATION OF THE TARGET GROUP

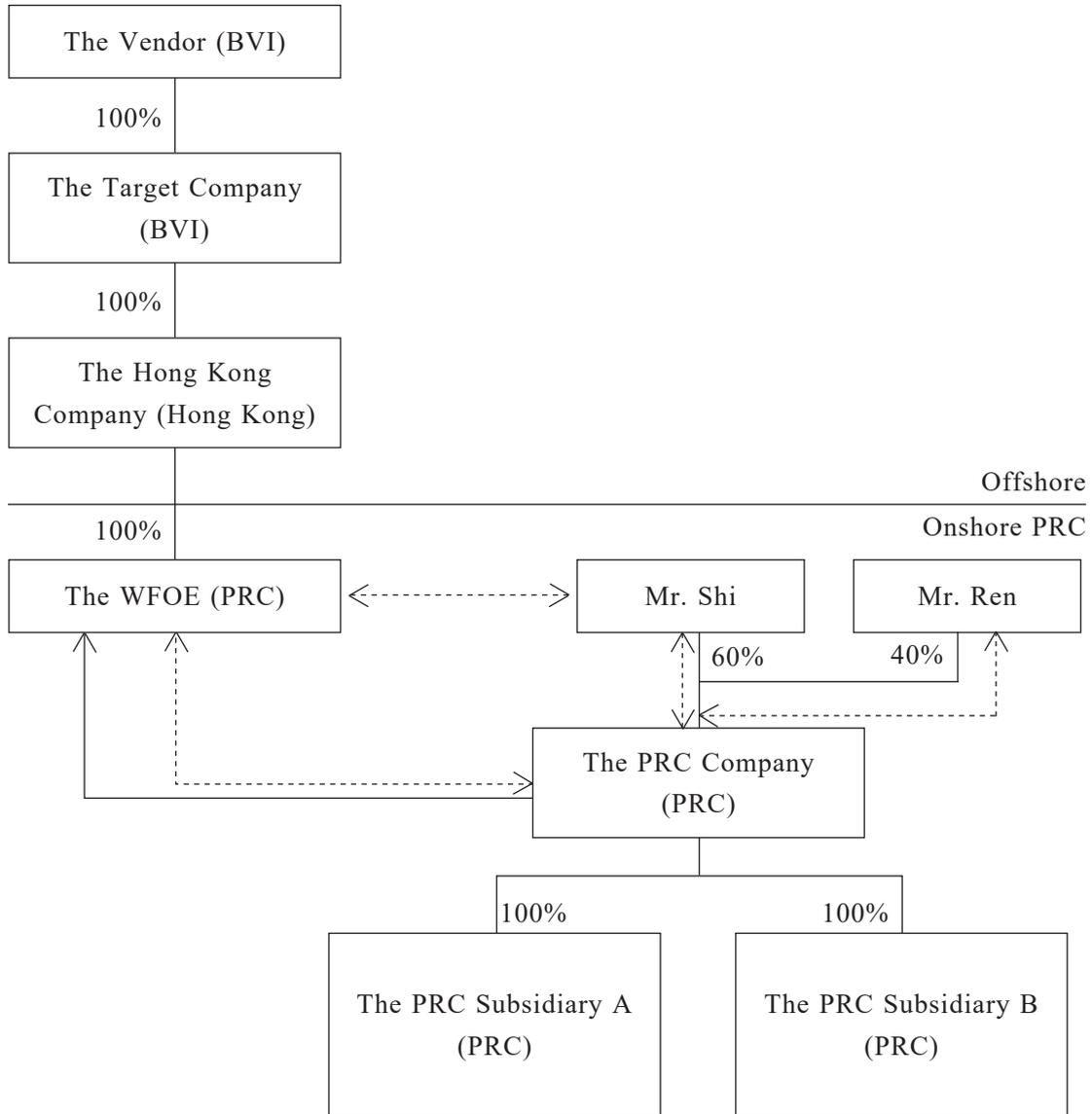
The Target Company is an investment holding company incorporated in BVI with limited liability, and was directly wholly-owned by the Vendor as at the Latest Practicable Date.

The Target Reorganisation

Subject to the terms and conditions of the Sale and Purchase Agreement, the Target Group should undergo the Target Reorganisation which includes, among others, (i) incorporating the Hong Kong Company which is wholly owned by the Target Company; (ii) establishing the WFOE which is wholly owned by the Hong Kong Company; and (iii) procuring the entering into of the VIE Contracts between the WFOE, the PRC Company and the PRC Equity Owners and such other parties. The Target Reorganisation had been completed as at the Latest Practicable Date. The Target Company should have indirect control over the PRC Company and enjoy all actual or potential economic interests and benefits of the PRC Company, and the PRC Company is accounted as subsidiary of the Target Company and the financial results of the PRC Company Group should be consolidated into the accounts of the Target Company by virtue of the arrangement under the VIE Contracts.

LETTER FROM THE BOARD

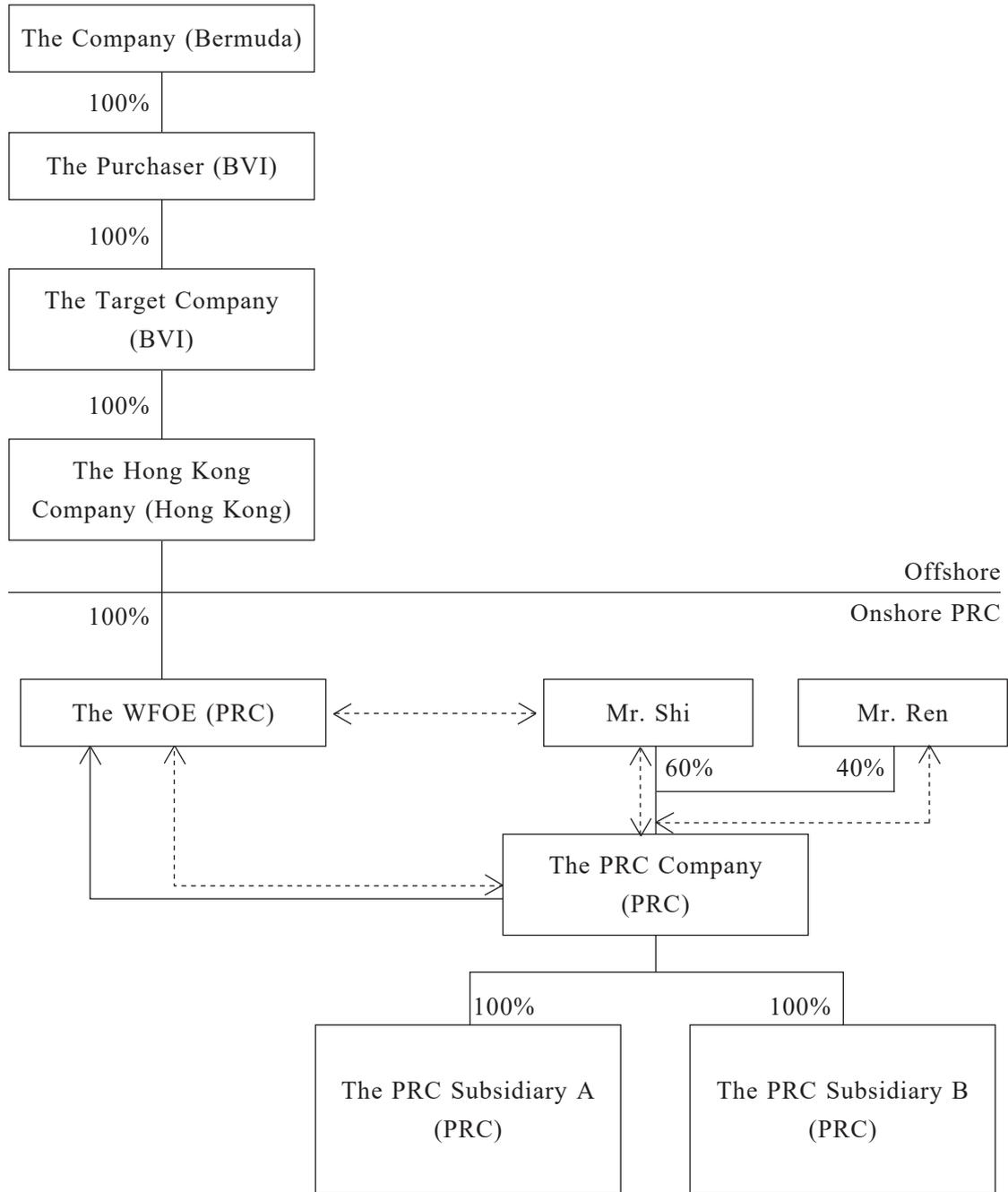
Shareholding structure of the Target Group immediately after completion of the Target Reorganisation but before Completion



- Legal ownership
- > Economic benefits
- <---> Contractual arrangements contemplated under the Exclusive Business Corporation Agreement, the Exclusive Purchase Right and Equity Custodian Agreement and the Equity Pledge Agreement

LETTER FROM THE BOARD

Shareholding structure of the Target Group immediately after Completion



- Legal ownership
- > Economic benefits
- <---> Contractual arrangements contemplated under the Exclusive Business Corporation Agreement, the Exclusive Purchase Right and Equity Custodian Agreement and the Equity Pledge Agreement

LETTER FROM THE BOARD

The Hong Kong Company

The Hong Kong Company is an investment holding company incorporated in Hong Kong with limited liability. The Hong Kong Company is directly wholly owned by the Target Company and directly holds the WFOE.

The WFOE

The WFOE is established in the PRC with limited liability. The WFOE is directly wholly owned by the Hong Kong Company and have control over the PRC Company due to the execution of the VIE Contracts.

The PRC Company

The PRC Company is a company established in the PRC with limited liability. The PRC Company is principally engaged in provision of online marketing solutions (including production of short video advertisements) and advertising agency services.

The PRC Subsidiary A

The PRC Subsidiary A is a company established in the PRC with limited liability. The PRC Subsidiary A is principally engaged in provision of online marketing solutions (including production of short video advertisements) and advertising agency services.

The PRC Subsidiary B

The PRC Subsidiary B is a company established in the PRC with limited liability. The PRC Subsidiary B is principally engaged in provision of online marketing solutions (including production of short video advertisements) and advertising agency services.

Market overview

As stated in “The 47th China Statistical Report on Internet Development (第47次中國互聯網發展狀況統計報告)” published by China Internet Network Information Centre, which is under Cyberspace Administration of China, (i) the number of mobile netizens increased from approximately 816.98 million in December 2018 to approximately 985.76 million in December 2020, representing a year-on-year growth of approximately 9.84%; and (ii) the number of users for short videos grew from approximately 647.98 million in December 2018 to approximately 873.35 million in December 2020, representing a year-on-year growth of approximately 16.09%. The above data suggests that the market size of mobile netizens and users for short video is large and has a continuous upward trend in the PRC, and thus, the outlook of the industry of the PRC Company Group is positive.

LETTER FROM THE BOARD

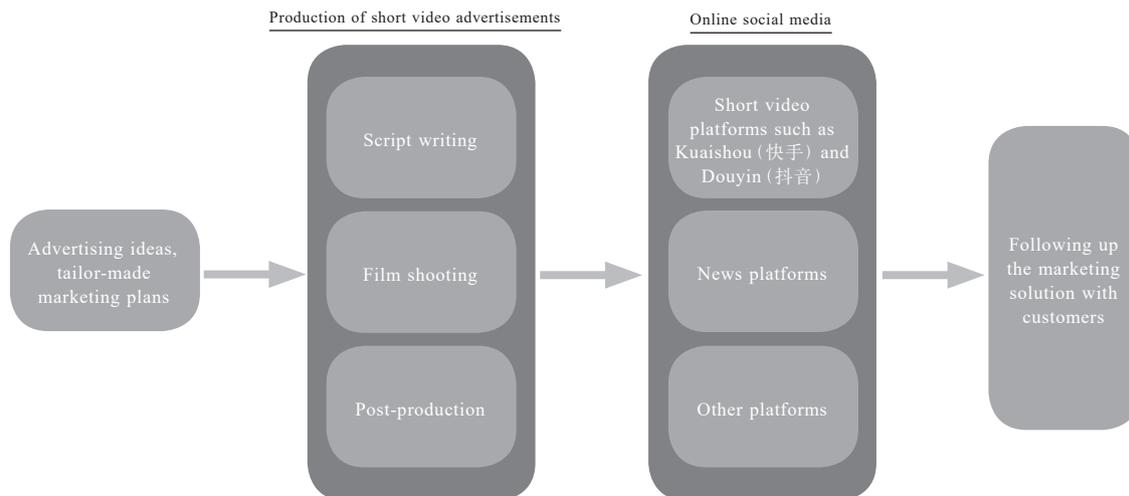
Business model

Provision of marketing solutions

The PRC Company Group offers one-stop online marketing solutions to customers including provision of advertising ideas, production of short video advertisements and distribution of content to different online platforms and monitoring the performances of the advertisements. To cater the specific needs from every customer regarding different industries and products, the PRC Company Group prepares tailor-made marketing plans according to the customers' requirements. Upon approval of the plans by the customers, the PRC Company would proceed to drafting and composing short video advertisements. The PRC Company Group offers short video production services which includes script writing, film shooting as well as post-production. The creatures would be delivered to different online short video platforms, news platforms and other social media platforms, in infeed form, allowing platform users to browse the platform and meanwhile seamlessly notice the advertisements. To ensure the advertisements precisely reaching the target audiences, the PRC Company Group adopts big data analytics as well as artificial intelligence (AI) technologies for formulating the delivery channel and strategy. The PRC Company Group would from time to time review the results of the marketing solutions by monitoring the performance of and data generated from the advertisements and thereafter, follow up the marketing solutions with customers.

LETTER FROM THE BOARD

Set out below is the operation model of online marketing solution business:



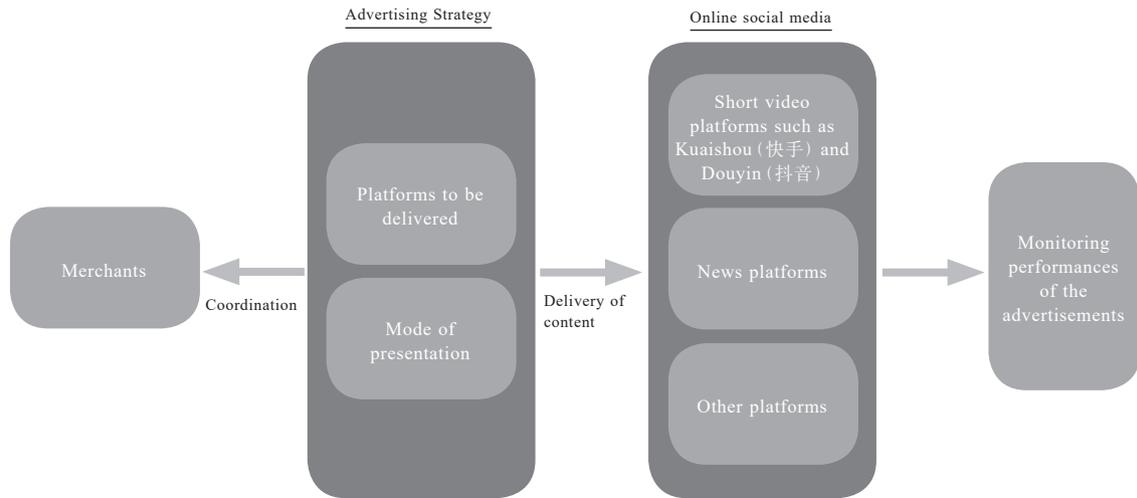
Advertising agency

With advertisements having been well prepared, merchants may face problems in deciding delivery channel and strategy. Directly communicating with online media platform may be timely and cause burdensome to merchants who do not possess relevant experiences. In such cases, merchants may engage advertising agency for handling issues regarding the delivery of advertisements.

Acting as advertising agency, after consultation with merchants, the PRC Company Group structures the advertising strategy, including the platforms to be delivered and mode of presentation, monitors the performances of advertisements, and coordinates with the merchants and online platforms.

LETTER FROM THE BOARD

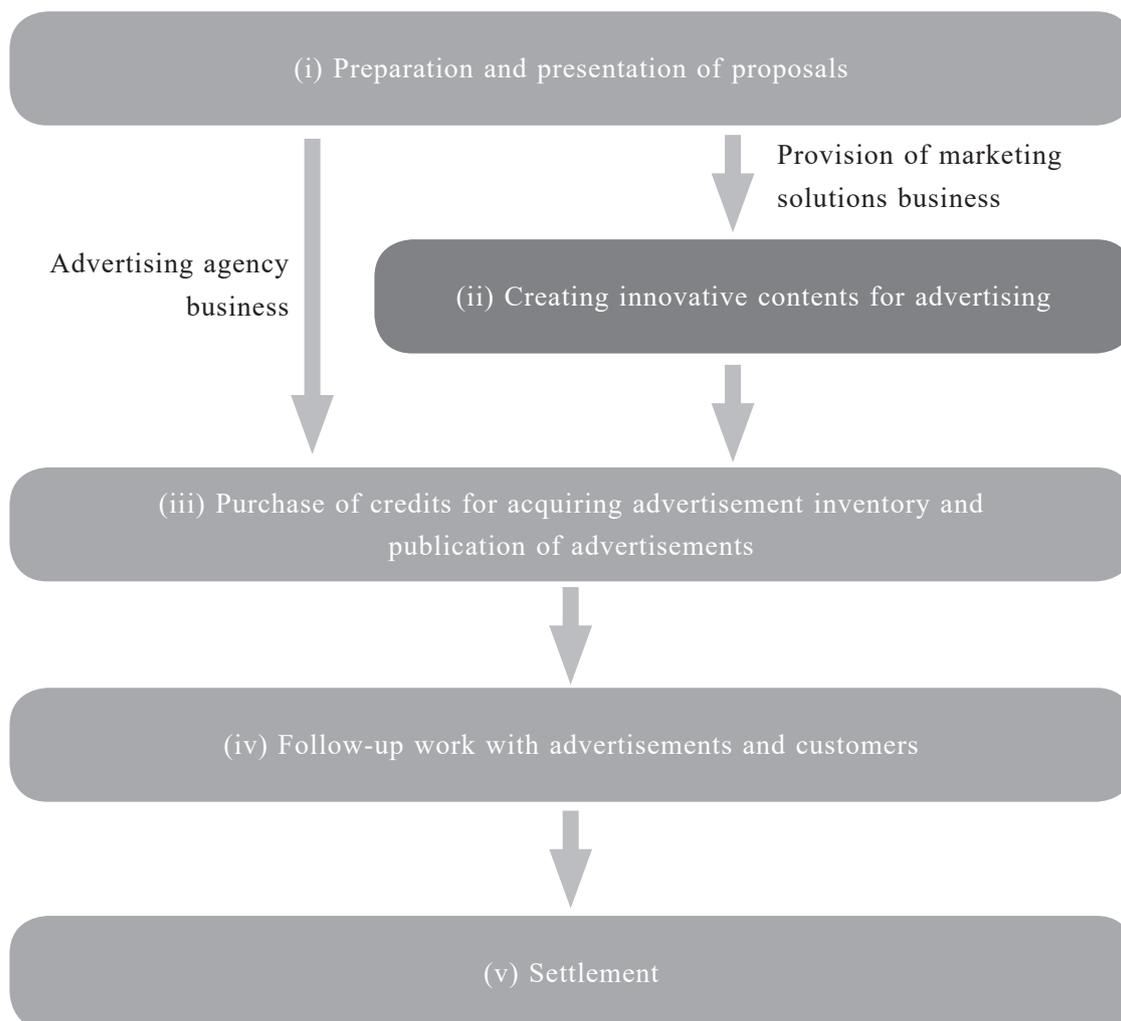
Set out below is the operation model of advertising agency business:



LETTER FROM THE BOARD

Business process

The following is the flowchart that shows the business process of the PRC Company Group:



(i) Preparation and presentation of proposals

After approaching and understanding the needs of the customers and with the help of the PRC Company Group's data management platform (the "DMP") and the PRC Company Group's media partners' DMP, which assists in the advertising platform to target specific groups of people and improve the accuracy of advertisements by collecting and analysing data from public in accordance with applicable laws of the PRC, the PRC Company Group obtains the information regarding the target audiences which will be interested in the products and appropriateness of each media platform for publication of advertisement. Based on the information from the DMP, the PRC Company Group prepares and presents proposals to customers which fulfill their budget plans as well as advertising schedules.

LETTER FROM THE BOARD

- (ii) *Creating innovative contents for advertising (only applicable to provision of marketing solutions business)*

The PRC Company Group normally enters advertising promotion framework agreements, which set out the scope of services to be provided, delivery platform and payment mechanism, with customers for engagement. Following the engagement and upon approval of the advertising plans by the customers, the PRC Company proceeds to drafting and composing short video advertisements and preparing other advertising materials. The PRC Company Group offers short video production services which includes script writing, film shooting as well as post-production.

For advertising agency business, the PRC Company Group utilises the advertisement materials provided by the customers without involvement in design and preparation.

- (iii) *Purchase of credits for acquiring advertisement inventory and publication of advertisements*

Having finalising the advertising orders and contents from customers, the PRC Company Group creates advertising accounts on the media platform directly or through other advertising agencies for customers. In accordance with different budget plans, the PRC Company then purchases credits, which are different for each media platform, for the customers. The credits are used for bidding advertising inventory, which is the traffic available on online media platforms for advertising, on the corresponding media platform. During the bidding process, the advertiser (being the PRC Company Group on behalf of the customers) inputs the bid price in terms of the way the credits to be consumed (such as CPM, CPC, CPT or CPA (as defined below)) and the criteria for advertisement inventory (such as age group of target audiences). Upon successful bidding of advertising inventory, advertisements will be placed in accordance with the results of the bids.

- (iv) *Follow-up work with advertisements and customers*

With the continuous monitoring of the information provided by online media platform regarding the published advertisements on a real-time basis, performances of the advertisements are observed. Upon reporting and discussing with customers, the PRC Company Group may modify the advertising strategy, including but not limited to changing of media platform, the time for advertisement and target audience, to enhance the effectiveness of the advertisements.

LETTER FROM THE BOARD

(v) *Settlement*

During the term of the service period, the PRC Company Group issue invoice to customers on a regular basis based on the pricing terms agreed in the framework agreement and the traffic acquisition costs of the media platforms. Details of the pricing model, revenue recognition and profitability of the PRC Company Group are discussed below.

Pricing model

The PRC Company charges customers based on different pricing models, mainly optimized cost per 1,000 impression (“**oCPM**”) and optimized cost per click (“**oCPC**”), and sometimes may adopt other pricing models such as cost per 1,000 impression (“**CPM**”), cost per click (“**CPC**”), cost per time (“**CPT**”) and cost per action (“**CPA**”). The pricing models for calculating fees to be received are generally on the same basis as media suppliers charged the PRC Company Group.

CPM and CPC calculate charges based on per one thousand impressions of the advertisement and per click of advertisement by the audiences, respectively. oCPM and oCPC are similar to CPM and CPC respectively. The key difference is that oCPM and oCPC take into account the data of audiences so that the advertisement will be displayed to specified type of audiences who are likely to be interested in the advertisement and take further action. CPM and CPC display advertisements generally without targeting audiences, which comparing with oCPM and oCPC, are less effective in allowing the advertisement to reach designated group of consumers. Under CPT, the PRC Company charges customer for a specific period of time for placement of the advertisement on a platform. CPA is based on the specified actions, such as download, installation or registration of account, performed by audiences.

Revenue recognition

The revenue recognition of provision of online marketing solutions (including production of short video advertisements) and advertising agency services are based on the role of the PRC Company.

The PRC Company Group recognises revenue from online marketing solutions (including production of short video advertisements) under gross basis. In provision of one-stop online marketing solutions, the PRC Company Group is mainly responsible for production of innovative materials to be published on media platform, and identifying, contracting and distributing of content to different online platforms. The fees charged to

LETTER FROM THE BOARD

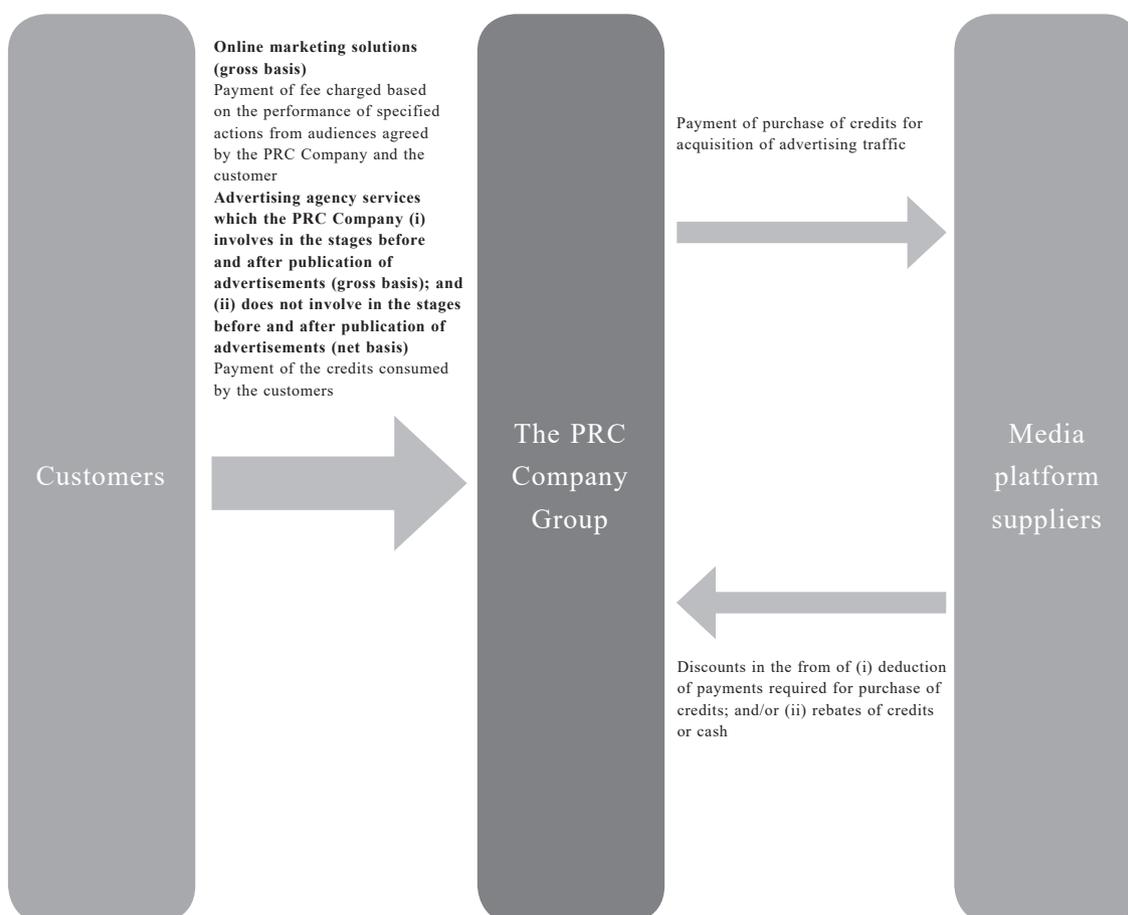
customers are based on the performance of specified actions from audiences agreed by the PRC Company and the customers, which may include per click, thousand impressions, download, installation or registration. The PRC Company Group may bear the risks in case that the fee received by the PRC Company Group cannot cover the production costs, and/or the contents prepared by the PRC Company Group cannot meet the target performance of specified actions. Since the PRC Company Group acts as a controller in this business model, revenue is recognised in gross basis.

The revenue recorded by the PRC Company Group is, depending on the scope of work of the PRC Company, recognised in gross or net basis for provision of advertising agency services. Customers, after considering the advertising suggestions provided by the PRC Company Group, instruct the PRC Company to place the advertisement on platforms selected by the customers. The PRC Company acts as an agency to process and handle issues related to the advertisement placement without active involvement in the determination of media platforms. Credits for acquisition of advertising traffic on designated platform are paid by the PRC Company Group in advance. Thereafter, based on the credits consumed by the customers, fees are charged to the customers by the PRC Company Group. In this situation, as the PRC Company involves in the planning stage before the publication of advertisements as well as the monitoring stage of the performance of the advertisements, revenue based on the credits used by the customers is recognised in gross basis. On some occasions where customers only require the PRC Company Group to help the customer to place advertisements by acquiring advertising traffic on designated platforms, without requesting the PRC Company to provide advertising plans and monitor the performance of advertisement published, revenue is recognised in net basis. The difference between the advertising traffic costs charged by the media suppliers to the PRC Company Group and that charged to the customers by the PRC Company Group shall be the revenue recognised.

Discounts on the purchase of the credits, which are common industry practices, may be granted from media platforms to the PRC Company Group from time to time. The discounts are determined based on the purchase amount of the traffic acquisition and provided to the PRC Company in the form of (i) deduction of payments required for purchase of credits; and/or (ii) rebates of credits or cash.

LETTER FROM THE BOARD

The flowchart below illustrates the fund flow between the PRC Company, the customers and the media platform suppliers:



Profitability

For online marketing solutions (including production of short video advertisements) business, the margin represents the fees charged to customers based on the performance of specified actions from audiences, less the cost of services of the PRC Company Group. The performance of specified actions from audiences primarily depends on the production and advertising strategies of the PRC Company Group whereas the cost of services of the PRC Company Group mainly relies on the costs controlled by the PRC Company Group in short video and/or other content production and acquisition cost of advertising traffic. Thus, the key to attain higher profitability for this business segment is the ability of the personnel of the PRC Company Group to generate innovative ideas and implement advertising plans on media platforms with lower costs.

LETTER FROM THE BOARD

The margin for advertising agency services is the difference between the advertising traffic costs charged by the media suppliers to the PRC Company Group and the fees charged to the customers by the PRC Company Group. In selling credits for acquisition of advertising traffic to platform users, media platforms offer more favourable prices or discounts for higher amount of purchase. Comparing with public advertisers, the PRC Company and other advertising agencies enjoy lower costs for buying credits from media platform due to bulk purchase for numerous customers or other advertising agencies. The profitability is therefore, accounted from the capability the PRC Company Group to connect customers with media platforms or other advertising agencies which offer lower price for credits. As such, the more customers advertise on the same platform, the lower cost of the PRC Company enjoyed from credits purchasing, and thus a higher profitability is derived.

Seasonality

The business of the PRC Company faces seasonal fluctuations. According to the spending behaviour of consumers in the PRC market, consumers usually tend to purchase more during holiday or shopping events like “double 11”, and advertisers generally allocate more significant budgets in the second half of a year as comparing with that for the first half of a year. Thus, the revenue of the PRC Company Group is subject to seasonal factor. Since the PRC Company Group is at startup stage, its revenue growth has outweighed the impact of seasonality. As such, the effect of seasonality is not material. In the event that the growth of revenue slows down and/or the contrast in purchase amount between normal and spending seasons becomes more prominent, the seasonal impact on the PRC Company Group’s revenue may be noticeable.

Financial information

The Target Reorganisation has been completed. Immediately upon completion of the Target Reorganisation, the Target Company should have indirect control over the PRC Company and enjoy all actual or potential economic interests and benefits of the PRC Company, and the PRC Company would be accounted as subsidiary of the Target Company and the financial results of the PRC Company Group should be consolidated into the accounts of the Target Company by virtue of the arrangement under the VIE Contracts.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. The Directors have discussed with the auditors of the Company and it has confirmed that the financial results of the PRC Company will be consolidated into the accounts of the Group upon Completion as long as all the contractual arrangements pursuant to the VIE Contracts remain effective.

LETTER FROM THE BOARD

The following audited consolidated financial information of the PRC Company Group is extracted from Appendix II to this circular:

	For the six months ended 30 June 2021 (Audited) RMB'000	For the year ended 31 December 2020 (Audited) RMB'000	For the period from 5 August 2019 (date of establishment) to 31 December 2019 (Audited) RMB'000
Revenue	140,802	108,575	2
Profit/(loss) before taxation	7,442	3,029	(537)
Profit/(loss) after taxation	6,124	2,796	(537)

As at 30 June 2021, the audited consolidated net assets of the PRC Company Group amounted to approximately RMB8.38 million.

INFORMATION OF THE VENDOR, THE GUARANTOR AND THE PRC EQUITY OWNERS

The Vendor and the Guarantor

The Vendor is a company incorporated in BVI with limited liability and its principal activity is investment holding. As at the Latest Practicable Date, the Vendor had completed the Vendor Reorganisation pursuant to the Sale and Purchase Agreement after which the ultimate beneficial owners of the Vendor are Mr. Ma, Mr. Zhang Han Qing, Mr. Shi and Mr. Guan Zi Shan, and the effective shareholding interest of them in the Vendor are 60.4%, 24.7%, 10.0% and 4.9% respectively.

Mr. Ma, being also the Guarantor, is a PRC citizen and an investment banker. Details of the biography of Mr. Ma are disclosed in the section headed “REASONS FOR AND BENEFITS OF THE ACQUISITION” below.

LETTER FROM THE BOARD

As advised by Mr. Ma, the PRC Company Group was introduced to Mr. Ma through his business network. In late 2020, Mr. Ma agreed to join the PRC Company as investor and own 60% equity interest of the PRC Company upon completion of the Vendor Reorganisation, at an acquisition cost of RMB18,502,400. Apart from capital investment, given Mr. Ma's extensive business network established throughout his past 10 years of experience as investment banker, Mr. Ma also contributes to the PRC Company Group by introduction of new business opportunities and new customers.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, and as advised by Mr. Ma, the Target Group's previous shareholders have no relationship (business or otherwise) with Mr. Ma, the Company and its connected persons.

As at the Latest Practicable Date, Mr. Ma directly owned, and Mr. Lei indirectly owned approximately 22.91% and 40.29%, respectively, of a company established in the PRC with limited liability (the "**Common PRC Company**"). Mr. Ma was the Common PRC Company's director and president while Mr. Lei was the Common PRC Company's director. Mr. Ma and Mr. Lei were also vice-chairman and chairman of the board of directors of a 31.65%-owned company of the Common PRC Company respectively.

Mr. Zhang Han Qing is a PRC citizen. He possesses 10 years' experience in film production. He is one of the co-founder and currently the chief content officer of the PRC Company. Details of the biography of Mr. Zhang are disclosed in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below.

Mr. Shi is a PRC citizen. He possesses over 10 years' experience in information system and big data technology industry.

Mr. Guan Zi Shan is a PRC citizen. He possesses 10 years' experience in business management on various industries, which include renewable energy, furniture and homeware, automobile retailing and information technology.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, upon completion of the Vendor Reorganisation, each of the Vendor and its ultimate beneficial owners (including the Guarantor) is an Independent Third Party.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Vendor, any of its directors and legal representatives and/or any ultimate beneficial owners (after the Vendor Reorganisation); and (b) the Company, any connected person at the Company's level and/or any connected person of the Company's subsidiaries involved in the Acquisition.

The PRC Equity Owners

Mr. Shi and Mr. Ren are the PRC Equity Owners who hold 60% and 40% equity interest in the PRC Company respectively after completion of the Target Reorganisation.

Background of Mr. Shi and Mr. Ren is disclosed in this paragraph above and the paragraph headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, and as advised by the PRC Equity Owners, the PRC Equity Owners have no relationship (business or otherwise) with the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in sale of financial assets, property investment, money lending, and design and sale of jewelry products.

Background of the Acquisition

With the aim to diversifying the existing business of the Group and broadening the income streams of the Group, the Board has been actively seeking business opportunities in addition to the current business of the Group.

LETTER FROM THE BOARD

Mr. Ma and Mr. Lei have been business partners, details of which are disclosed in the paragraph headed “INFORMATION OF THE VENDOR, THE GUARANTOR AND THE PRC EQUITY OWNERS” above, since the middle of 2019. Being aware that Mr. Lei was seeking investment opportunities for the Company, Mr. Ma introduced the business of the PRC Company Group to Mr. Lei in late 2020. Subsequently, Mr. Lei, on behalf of the Company, met the Vendor in January 2021.

Board’s assessment on the PRC Company Group

The Company has performed a preliminary due diligence on the PRC Company Group in terms of corporate structure and organisation, background of directors and senior management, business operation, financial information, assets and human resources. Given that different aspects of the PRC Company Group have been reviewed, the Directors consider such preliminary due diligence is sufficient to furnish an overview of the PRC Company Group. The legal and financial due diligence on the Target Group is still ongoing. It should be noted that Completion is conditional upon the Purchaser having been satisfied with the results of the due diligence review on the Target Company, the Hong Kong Company, the WFOE and the PRC Company Group.

Senior management

The PRC Company was established in the PRC with limited liability on 5 August 2019 and is principally engaged in provision of online marketing solutions (including production of short video advertisements) and advertising agency services.

The founding management of the PRC Company who is responsible for the day-to-day business operations, has extensive experience in film production and the advertising industry. Below is the biographical background of the core operating officers of the PRC Company.

LETTER FROM THE BOARD

Mr. Zhang Han Qing, one of the ultimate beneficial owners of the Vendor upon the completion of the Vendor Reorganisation, is the co-founder and currently the 首席內容官 (chief content officer) of the PRC Company and is responsible for film creativity and production management. He possesses over 10 years' experience in film production and has expertise on script writing, pre-shooting, post-editing and soundtrack arrangement. Mr. Zhang participated in various types of project production, encompassing playlet, film, travel program and drama, which include, amongst others, a film called "JOKE", documentary called 《川藏之旅 — 轉經輪》(Journey to Sichuan-Tibet-Prayer Wheel*), and dramas called 《海鷗》(Seagull*), 《歡樂喜劇人》(Happy Comedian*) and 《男人之虎》(Tiger of Man*). Before establishing the PRC Company, Mr. Zhang (i) had been the vice-president of a company principally engaged in film production business and was responsible for script planning and writing as well as post-production; and (ii) together with other business partners, set up a consulting company, which was principally engaged in the provision of integrated visual marketing solutions in accordance with the customers' brand style and positioning. Mr. Zhang's experiences in film production are contributable to the business of the PRC Company Group.

Mr. Ren is the chief executive officer of the PRC Company. He possesses over 10 years' experience in internet advertising industry, and focuses on performance marketing and provision of strategic recommendations on media placement. Prior to joining the PRC Company Group, Mr. Ren worked in several media companies namely (i) 中華網 (China.com), an internet media company principally engaged in the businesses of wireless, game and automotive; (ii) PPTV.com, an integrated video platform; (iii) 新浪 (Sina), a Chinese online content service provider serving the PRC and the global Chinese community; and (iv) 新普互聯 (Sinponet), a digital marketing high-end service provider. Within his working experience in various media platforms, Mr. Ren has possessed extensive experiences in video advertising, sales and marketing development and operation management.

Financial performance

As a startup company in 2019, the PRC Company Group recorded a profit in the next full financial year after its establishment. As at 30 June 2021, the PRC Company Group had 52 employees. For the year ended 31 December 2020, the PRC Company Group recorded an audited consolidated profit after taxation of approximately RMB2.80 million, as compared to a loss of approximately RMB0.54 million for the period from 5 August 2019 (date of establishment) to 31 December 2019. The turnaround in net profit indicated the remarkable effort and ability from the senior management in operating the business of the PRC Company Group despite the short history of the PRC Company.

* For identification purposes only

LETTER FROM THE BOARD

Mr. Ma as strategic investor

Given the initial success of the PRC Company and the strong business background of the then shareholders of the PRC Company, Mr. Ma joined the PRC Company as strategic investor in late 2020. Mr. Ma is an investment banker and had worked previously in 東方花旗證券有限公司 (Oriental Citi Securities Company Ltd) and 國信證券股份有限公司 (Guosen Securities Co., Ltd.) respectively. During his past 10 years of experience as an investment banker, Mr. Ma managed over 10 projects regarding capital investment, merger and acquisition, and/or initial public offering and has extensive business and social networks in different industries. The key projects that Mr. Ma involved in include, amongst others, (i) the acquisition of a company engaged in television program production from 浙江華策影視股份有限公司 (Zhejiang Huace Film & TV Co., Ltd.), a company listed on the Shenzhen Stock Exchange with stock code 300133.SZ; (ii) the investment of a company engaged in film and entertainment related business from 宋城演藝發展股份有限公司 (Songcheng Performance Development Co., Ltd), a company listed on the Shenzhen Stock Exchange with stock code 300144.SZ; and (iii) the acquisition of a company engaged in cinema business by 完美世界股份有限公司 (Perfect World Co., Ltd.), a company listed on the Shenzhen Stock Exchange with stock code 002624.SZ.

As advised by the Vendor, having Mr. Ma to join the PRC Company in late 2020 as a strategic investor has strengthened the shareholders base of the PRC Company and has also accelerated the business development of the PRC Company through Mr. Ma's strong business and social network. The PRC Company Group recorded an audited revenue of approximately RMB140.80 million for the six months ended 30 June 2021, which was far more than that of approximately RMB15.01 million for the six months ended 30 June 2020. The increase in revenue for the six months ended 30 June 2021 mainly represented the organic growth of the existing customers of the PRC Company Group, with minimal revenue contribution from a few trial sales contracts referred by Mr. Ma as the new potential customers introduced by Mr. Ma are still at the preparation or negotiation stage. As advised by the Vendor, several new potential customers introduced by Mr. Ma are still in the preparation or negotiation stage and the PRC Company expects to finalise the sales contracts with these new potential customers in the coming months. It is expected that the revenue to be generated from these new customers introduced by Mr. Ma will be reflected in the financial statements of the PRC Company in the six months ending 31 December 2021. Other than the several new customers as mentioned above, Mr. Ma will continue to introduce new customers to the PRC Company. Taking into account the organic growth of its existing customers and the new customers introduced by Mr. Ma, it is expected that the profitability of the PRC Company will be fully reflected in its financial statements for the year ending 31 December 2022 onwards.

LETTER FROM THE BOARD

Market outlook

The Board has assessed the outlook of the industry of the PRC Company Group and considered that the market size of mobile netizens and users for short video is large and has a continuous upward trend in the PRC, details of which are discussed in the paragraph headed “Market Overview” above. It is expected by the Board that under the promising outlook of the industry of the PRC Company Group, with the support of Mr. Ma’s business network, the customers continuously accumulated by the PRC Company, the expansion plan and the Online Short Video Transaction Platform to be developed, the profitability of the PRC Company Group is expected to be enhanced.

Business plan

The Group is a financial conglomerate which invests in different area of businesses over the past ten years and the Board possesses extensive general management experience in different industries. Currently, the Board has no relevant experience or expertise in the operation of the PRC Company Group’s business. However, given the PRC Company Group has its own professional team for the operation of its marketing and advertising agency businesses, the Target Group shall be able to carry out its business on its own without any additional support in operation from the Group. To monitor the business of the Target Group after Completion, the Group will oversee the operations and review the business performance of the PRC Company Group regularly. The executive Directors, (i) Mr. Lei, who has over 19 years experiences in, amongst others, corporate management and business development and has been director of listed companies engaged in difference industries, and (ii) Mr. Cheung Kwok Wai Elton, who has over 31 years of experience in, amongst others, corporate finance and has been director of listed companies engaged in difference industries, are considered to be qualified to oversee and monitor the general business operations of the Target Group. The Company intends to be responsible for the strategic management and development of the PRC Company’s business whilst the Target Group shall conduct and operate its business on its own by its existing operation team. After Completion, the Target Group will be regarded as a new line of business and a new income source of the Group. It is the intention of the Group to follow the PRC Company Group’s plan to continue the development of its existing business regarding provision of online marketing solutions (including production of short video advertisements) and advertising agency services by recruiting more staff members to expand the operation team and at the same time develop the Online Short Video Transaction Platform as discussed in the paragraph headed “Reasons for the VIE Contracts” above. Other than that, the Company does not have business plan on the Target Group.

LETTER FROM THE BOARD

Settlement methods of the Consideration

In considering settlement method of the Consideration, apart from the current settlement method i.e. combination of the allotment and issue of the Consideration Shares, issue of the Promissory Notes and cash payment, the Board has considered alternative settlement methods including bank borrowings and conducting fund raising activities such as placing and subscription.

With regard to borrowings, the Board is of the view that the ability of the Group to obtain bank borrowings usually subject to the prevailing market condition as well as the Group's profitability and financial position. Lengthy due diligence and internal risk assessment by and negotiations with financial institutions may also be required. In addition, to obtain financing terms favourable to the Group, financial institutions may require the Group to provide guarantees and/or pledge of tangible assets.

In respect of conducting fund raising activities such as placing and subscription, the Board has taken into account that (i) the average daily trading volume of the Shares was low which represented only approximately 0.02% of the total number of issued Shares for the one-year period immediately before the date of the Sale and Purchase Agreement; (ii) deeper discount to the price of the Shares is likely to be adopted for determining the placing/subscription price; (iii) placing commission would be required to pay to placing agent(s) which increases the cost of the Group; (iv) longer time, being around an additional of one to two months, may be required for placing or subscription for identifying placing agent(s), placee(s) and/or subscriber(s); and (v) given the sizeable amount of the Consideration, there may be difficulties in securing placing agent(s). As such, the Board is of the view that placement and subscription is of high uncertainty and such funding method may not be in the interests of the Company and its Shareholders as a whole.

Having considered the above, the Board considers that settlement of the Consideration by way of the allotment and issue of the Consideration Shares, issue of the Promissory Notes and cash which only involves negotiation with the Vendor is of less uncertainty, and a timely and efficient mean for settling the Consideration. Furthermore, by satisfying part of the Consideration with the Promissory Notes and the Consideration Shares, the burden to the Company's financial resources can be reduced since the Consideration Shares lowers the cash amount required to be paid by the Group for the Consideration and the issuance of the Promissory Notes would not cause immediate material cash outflow pressure on the Group.

Upon allotment and issue of the First Consideration Shares, the potential dilution effect on the shareholding of the existing Shareholders is only approximately 2.55%. Subject to the fulfillment of the First Guaranteed Profit and the extent of fulfillment of the Second Guaranteed Profit, the allotment and issue of the Second Consideration Shares will cause

LETTER FROM THE BOARD

dilution effect on the existing Shareholders (together with the First Consideration Shares) in aggregate of not more than approximately 19.92%. On the basis of the First Guaranteed Profit and the Second Guaranteed Profit being achieved by the PRC Company, the Board considers that the potential maximum dilution effect on the shareholding of the existing Shareholders is acceptable as (i) the PRC Company Group is profitable, which thus, is an income generating asset, the earnings of the Group will be increased after Completion; and (ii) the allotment and issue of the Consideration Shares would settle part of the Consideration without immediate significant cash outlay of the Group thereby reserving the financial resources of the Group.

Based on the above, the Board considers that the current settlement method of the Consideration, being a combination of allotment and issue of the Consideration Shares, issue of the Promissory Notes and cash payment, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment mechanism

The Acquisition is secured by the First Guaranteed Profit and the Second Guaranteed Profit. In the event that (i) the audited consolidated profit after tax (excluding extraordinary items) of the Target Group for the First Guaranteed Period is less than RMB25,000,000, the second payment of the Consideration of HK\$135,000,000 (i.e. the First Promissory Note) and the third payment of the Consideration of not more than HK\$640,000,000 (including the cash payment of HK\$120,000,000, the Second Promissory Note and the Second Consideration Shares) shall not be paid; and (ii) subject to the fulfillment of the First Guaranteed Profit, the audited consolidated profit after tax (excluding extraordinary items) of the Target Group for the Second Guaranteed Period is less than RMB100,000,000, the third payment of the Consideration of HK\$640,000,000 shall be proportionally adjusted downward. The Board considers that the Consideration adjustment mechanism would safeguard the interests of the Company and the Shareholders as a whole.

Financing plan to settle the Consideration

Based on the assessment of the Board on the Group, the Company has sufficient internal resources to satisfy the repayment of the Promissory Notes and the cash part of the third payment of the Consideration as they fall due. The Board intends to finance the repayment of the Promissory Notes and the cash part of the third payment of the Consideration by internal resources and/or then financial resources available to the Group. The Board may also consider conducting other debt financing and/or equity fund raising activities as and when appropriate.

LETTER FROM THE BOARD

Conclusion

Based on the above factors and benefits, in particular, (i) the expertise and work experiences of the founding operating officers of the PRC Company Group i.e. Mr. Zhang Han Qing and Mr. Ren, who are able to lead the operation of the PRC Company Group by generating extensive ideas for short video and advertisements, provide corporate strategies to the operation of the PRC Company Group and secure customers; (ii) Mr. Ma's extensive social network and the synergy effect between Mr. Ma and the above founding operating officers in the business of the PRC Company Group, meaning that the PRC Company Group shall be able to secure the new business opportunities and customers introduced by Mr. Ma and thus broaden the income base and increase the earnings of the PRC Company Group; (iii) the profit from operations of the PRC Company for the six months ended 30 June 2021 of approximately RMB7.44 million, which has already been more than the profit of approximately RMB3.03 million for the year ended 31 December 2020, showing that the profitability of the PRC Company Group has been rapidly growing, and the expected further surge in revenue of the PRC Company Group after Mr. Ma joined the PRC Company Group apart from the organic growth of the business of the PRC Company Group in 2021; (iv) the prospects and the rapid growth of the PRC Company's industry, indicating that the whole market of this industry is expanding and the market share of the PRC Company Group would be increased if the PRC Company Group is able to get a grip of the new business opportunities from its organic growth and the introduction from Mr. Ma; (v) the fairness and reasonableness of the Consideration (including the payment terms and the profit guarantees) as discussed in the paragraph headed "Basis of the Consideration" above; and (vi) the current settlement method of the Consideration is a timely and efficient mean of less uncertainty and allows the burden to the Company's financial resources be reduced, the Directors (including the independent non-executive Directors) are of the view that the Sale and Purchase Agreement has been entered into on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTENTION OF THE COMPANY AND THE VENDOR

The Company will continue to focus on its existing business, including sale of financial assets, property investment, money lending, and design and sale of jewelry products. The detailed business plan has been disclosed in the paragraph headed "FINANCIAL AND TRADING PROSPECTS" in Appendix I to this circular. As at the Latest Practicable Date, the Company had no plan or intention to, or had not entered into any agreement, arrangement, negotiation or undertaking (whether formal or informal, express or implied) in relation to the acquisition of new businesses or dispose of its existing businesses in the next twelve months.

As at the Latest Practicable Date, the Company had no plan or intention to conduct any equity fund raising activities in the next twelve months.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company (i) had no plan or intention to appoint Mr. Ma as a Director and (ii) had no commitment in the PRC Company Group.

As disclosed in the paragraph headed “EFFECT ON THE SHAREHOLDING STRUCTURE” below, after allotment and issue of the First Consideration Shares and the maximum number of the Second Consideration Shares, Mr. Lei shall be deemed to be interested in approximately 20.81% of the issued share capital of the Company, whereas the Vendor shall only be interested in approximately 19.92% of the issued share capital of the Company. As such, Mr. Lei shall remain the largest Shareholder. Nevertheless, according to the Vendor, the Vendor intends to be passive Shareholder and does not intend to involve in the business and operation of the Group, other than the operation of the PRC Company Group.

EFFECT ON THE SHAREHOLDING STRUCTURE

Assuming that other than the Consideration Shares, no further Shares are issued or repurchased by the Company between the Latest Practicable Date and up to the date of the allotment and issue of the Consideration Shares, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after allotment and issue of the First Consideration Shares upon Completion; and (iii) immediately after allotment and issue of the maximum number of the Second Consideration Shares:

Shareholders	As at the Latest Practicable Date		Immediately after allotment and issue of the First Consideration Shares upon Completion		Immediately after allotment and issue of the maximum number of the Second Consideration Shares	
	<i>Number of Shares held</i>	<i>Approximate %</i>	<i>Number of Shares held</i>	<i>Approximate %</i>	<i>Number of Shares held</i>	<i>Approximate %</i>
Twin Success (Notes 1 & 2)	583,832,803	15.29	583,832,803	14.90	583,832,803	12.24
Mr. Lei (Notes 2)	408,740,000	10.70	408,740,000	10.43	408,740,000	8.57
Mr. Chan Kin Wah Billy (Note 3)	6,319,500	0.17	6,319,500	0.16	6,319,500	0.13
The Vendor	—	—	100,000,000	2.55	950,000,000	19.92
Other public Shareholders	<u>2,820,714,183</u>	<u>73.84</u>	<u>2,820,714,183</u>	<u>71.96</u>	<u>2,820,714,183</u>	<u>59.14</u>
Total	<u><u>3,819,606,486</u></u>	<u><u>100.00</u></u>	<u><u>3,919,606,486</u></u>	<u><u>100.00</u></u>	<u><u>4,769,606,486</u></u>	<u><u>100.00</u></u>

LETTER FROM THE BOARD

Notes:

1. Twin Success is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited. Silver Pacific International Limited is wholly owned by Mr. Lei. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai Elton, an executive Director and as to 50% by Mr. 關鍵 (Guan Jian). On 5 June 2018, Twin Success pledged its 583,832,803 Shares in favour of Kingston Finance Limited as security for a loan facility.
2. By virtue of the SFO, Mr. Lei is deemed to be interested in an aggregate of 992,572,803 Shares, representing (i) approximately 25.99% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 25.33% of the issued share capital of the Company immediately after allotment and issue of the First Consideration Shares upon Completion; and (iii) approximately 20.81% of the issued share capital of the Company immediately after allotment and issue of the maximum number of the Second Consideration Shares.
3. He is an executive Director.
4. The above percentage figures are subject to rounding adjustments.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Group will become indirect wholly-owned subsidiaries of the Company and therefore, the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group. The Target Company, by virtue of the execution of the VIE Contracts among the PRC Company, the PRC Equity Owners, the WFOE and such other parties, can enjoy the economic interests and benefits of the PRC Company.

Earnings

Upon Completion, the financial information of the Target Group will be consolidated into the consolidated financial statements of the Group. Taking into account the profitability of the PRC Company Group, the earnings of the Group are expected to increase after Completion.

If the financials of the PRC Company Group had been consolidated into that of the Group for the year ended 31 December 2020, based on the financial information of the PRC Company Group as set out in Appendix II to this circular, the profit of the Group would be increased by approximately RMB2.80 million for the year ended 31 December 2020.

Assets and liabilities

As disclosed in the interim report of the Company for the six months ended 30 June 2021, as at 30 June 2021, the Group recorded total assets, total liabilities and net assets of approximately HK\$3,943.93 million, HK\$1,531.24 million and HK\$2,412.69 million respectively.

LETTER FROM THE BOARD

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, if the Acquisition had been completed on 30 June 2021, the total assets, total liabilities and net assets of the Enlarged Group would have increased to approximately HK\$4,676.03 million, HK\$2,236.17 million and HK\$2,439.86 million respectively.

LISTING RULES IMPLICATIONS

Major transaction

As one or more of the relevant applicable percentage ratios (calculated in accordance with the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Continuing connected transactions

Upon completion of the Vendor Reorganisation, Mr. Shi beneficially owns 10.0% of the issued share capital of the Vendor. Upon completion of the Target Reorganisation, Mr. Shi becomes the director of the Hong Kong Company and the WFOE respectively. Upon Completion, the Target Company will be directly and wholly owned by the Company, the Hong Kong Company will be directly and wholly owned by the Target Company and directly hold the WFOE and the WFOE will be directly and wholly owned by the Hong Kong Company and have control over the PRC Company upon execution of the VIE Contracts. Mr. Shi is therefore a connected person of the Company at the subsidiary level.

Accordingly, the transactions contemplated under the VIE Contracts constitute continuing connected transactions with a connected person at the subsidiary level of the Company for the purpose of Chapter 14A of the Listing Rules.

Given that (i) the Directors have approved the VIE Contracts; and (ii) the independent non-executive Directors have confirmed that the terms of the VIE Contracts are fair and reasonable and the VIE Contracts are on normal commercial terms and in the interests of the Company and its Shareholders as a whole, such continuing connected transactions are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The waiver for the continuing connected transactions

The Company considers that it would be impracticable and unduly burdensome and would add unnecessary administrative cost to the Company to set a maximum aggregate annual caps under Rule 14A.53 of the Listing Rules and fix the terms of the VIE Contracts under Rule 14A.52 of the Listing Rules in relation to the continuing connected transactions contemplated under the VIE Contracts given that:

- (i) the VIE Contracts will enable the Group to receive the entire economic benefits derived by the PRC Company;
- (ii) Mr. Shi, who is an ultimate beneficial owner of 10% equity interest in the Vendor and a director of each of the Hong Kong Company and the WFOE, will not receive any economic benefits from the operation by the PRC Company following Completion under the VIE Contracts;
- (iii) based on (i) and (ii) above, there is no genuine continuing connected transactions while the VIE Contracts merely constitute technical continuing connected transactions implication owing to a typical variable interest entity structure; and
- (iv) the VIE Contracts and the transactions contemplated thereunder are fundamental to the Group's control on the Target Group's business which will be regarded as a new line of business and a new income source of the Group and will become the ordinary and usual course of business of the Group following Completion.

In view of the above, the Company has applied for, and the Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) the requirement of setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the services fees payable by the PRC Company to the WFOE under the relevant VIE Contracts; and (ii) the requirement of fixing the term of the VIE Contracts and having a term of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Exchange and subject to the following conditions:

- (1) *No change without Independent non-executive Directors' approval*

No changes to the terms of any of the VIE Contracts will be made without the approval of the independent non-executive Directors.

LETTER FROM THE BOARD

(2) *No change without Independent Shareholders' approval*

No changes to the terms of any of the VIE Contracts will be made without the approval of the Independent Shareholders. 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 VIE Contracts in the annual reports of the Company (as set out in paragraph (4) below) will however continue to be applicable.

(3) *Economic benefits flexibility*

The VIE Contracts shall continue to enable the Group to receive the economic benefits derived by the PRC Company through: (i) the WFOE's right (if and when so allowed under the applicable PRC laws) to acquire part or all of the equity interest in the PRC Company held by the PRC Equity Owners pursuant to the Exclusive Purchase Right and Equity Custodian Agreement; (ii) the business structure under which the net profit generated by the PRC Company is substantially retained by the WFOE (such that no annual caps shall be set on the amount of the services fees payable to the WFOE under the relevant VIE Contracts); and (iii) the WFOE's right to control the management and operation of, as well as, in substance, all of the voting rights of the PRC Company.

(4) *Ongoing reporting and approvals*

The Group will disclose details relating to the VIE Contracts on an ongoing basis as follows:

- (i) The VIE Contracts in place during each financial period will be disclosed in the Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- (ii) The independent non-executive Directors will review the VIE Contracts annually and confirm in the Company's annual report and accounts for the relevant year that: (a) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the VIE Contracts, have been operated so that the profit generated by the PRC Company has been substantially retained by the WFOE; (b) no dividends or other distributions have been made by the PRC Company to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

LETTER FROM THE BOARD

- (c) any new contracts entered into, renewed or reproduced between the Group and the PRC Company Group during the term of the VIE Contracts are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Shareholders as a whole.
- (iii) The Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the VIE Contracts and will provide a letter to the Directors with a copy to the Exchange that the transactions carried out pursuant to the VIE Contracts have received the approval of the Directors, have been entered into in accordance with the relevant VIE Contracts and that no dividends or other distributions have been made by the PRC Company to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the PRC Company and its subsidiaries will be treated as the Company's wholly owned subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the PRC Company and its subsidiaries and their respective associates will be treated as the "connected person" of the Company and transactions between these connected persons and the Group, other than those under the VIE Contracts, will be subject to requirements under Chapter 14A of the Listing Rules.
- (v) Each of the PRC Company and its subsidiaries has undertaken that, for so long the Shares are listed on the Exchange, it will provide the Group's management and the Company's auditors full access to its relevant records for the purpose of the Company's auditors' review of the continuing connected transactions.

(5) *Appointment of independent financial adviser*

According to Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser to explain why the VIE Contracts requires a longer period and to confirm that it is normal business practice for agreements of such type to be of such duration.

Completion is subject to the satisfaction of the conditions as set out in the Sale and Purchase Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in securities of the Company.

LETTER FROM THE BOARD

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, being Mr. Wan Shing Chi, Mr. Ng Heung Yan and Mr. Wong Tak Chuen, has been formed pursuant to the Listing Rules. After considering the advice from the Independent Financial Adviser, the Independent Board Committee will advise the Independent Shareholders on (i) the fairness and reasonableness of the VIE Contracts and the transactions contemplated thereunder, whether they are in the interests of the Company and the Shareholders as a whole; (ii) whether the duration of the VIE Contracts of more than three years is justifiable, commercially reasonable and in line with the normal business practice for agreements of similar nature; and (iii) as to voting if a physical general meeting were to be convened for the purpose of considering and if thought fit, approving the VIE Contracts and the transactions contemplated thereunder. Capital 9 Limited has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

THE SGM

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Promissory Notes, the allotment and issue of the Consideration Shares and the Specific Mandate. The aforesaid approval shall be obtained by way of a poll.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder. Therefore, no Shareholder is required to abstain from voting for the resolution to approve the Acquisition and the transactions contemplated thereunder at the SGM.

The notice of SGM is set out on pages SGM-1 to SGM-4 of this circular.

A proxy form for use by the Shareholders at the SGM is enclosed herewith. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. The completion and return of the form of proxy will not preclude you from attending and voting at the SGM in person.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers that the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Having taken into account the factors and reasons considered, and the opinion of the Independent Financial Adviser as stated in its letter, the Board (including the independent non-executive Directors) considers that (i) the entering into of the VIE Contracts and the transactions contemplated thereunder, although not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) the duration of the VIE Contracts of more than three years is justifiable, commercially reasonable and in line with the normal business practice for agreements of similar nature to the VIE Contracts. Accordingly, the Board recommends the Shareholders to vote in favour of (i) the resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the resolutions to approve the VIE Contracts and the transactions contemplated thereunder, if a physical general meeting were to be convened for the purpose of considering and if thought fit, approving the VIE Contracts and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

The English text of this circular, the notice of SGM and the form of proxy for use at the SGM shall prevail over the Chinese text in case of inconsistency.

Yours faithfully,
For and on behalf of
Eternity Investment Limited
Lei Hong Wai
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

25 November 2021

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE ENTERING INTO OF THE VIE CONTRACTS**

We refer to the circular of the Company dated 25 November 2021 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you on (i) the fairness and reasonableness of the VIE Contracts and the transactions contemplated thereunder, whether they are in the interests of the Company and the Shareholders as a whole; and (ii) whether the duration of the VIE Contracts of more than three years is justifiable, commercially reasonable and in line with the normal business practice for agreements of similar nature. Capital 9 Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 77 to 95 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 9 to 74 of the Circular and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the advice given by the Independent Financial Adviser, we are of the opinion that (i) the entering into of the VIE Contracts and the transactions contemplated thereunder, although not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) the duration of the VIE Contracts of more than three years is justifiable, commercially reasonable and in line with the normal business practice for agreements of similar nature to the VIE Contracts. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to approve the VIE Contracts and the transactions contemplated thereunder, if a physical general meeting were to be convened for the purpose of considering and if thought fit, approving the VIE Contracts and the transactions contemplated thereunder.

Yours faithfully,

The Independent Board Committee of
Eternity Investment Limited

Wan Shing Chi

*Independent
non-executive Director*

Ng Heung Yan

*Independent
non-executive Director*

Wong Tak Chuen

*Independent
non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the entering into of the VIE Contracts and the transactions contemplated thereunder for the purpose of incorporation into this circular.



Capital 9 Limited

Unit 1219, 12/F,
Bank of America Tower,
12 Harcourt Road,
Central,
Hong Kong

25 November 2021

*To the Independent Board Committee and the Independent Shareholders of
Eternity Investment Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING INTO OF THE VIE CONTRACTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions resulting from the entering into of the VIE Contracts, particulars of which are set out in the section headed “Letter from the Board” (“**Letter from the Board**”) contained in the circular of the Company dated 25 November 2021 (“**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 27 August 2021, the WFOE, the PRC Company and the PRC Equity Owners entered into the VIE Contracts, including the Exclusive Business Cooperation Agreement, the Exclusive Purchase Right and Equity Custodian Agreement, the Equity Pledge Agreement, the Power of Attorney and the Spouse Consent without setting a fixed term and a maximum aggregate annual caps for the VIE Contracts.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Shi becomes a director of the Hong Kong Company and the WFOE respectively upon completion of the Target Reorganisation. Upon Completion, the Target Company will be directly and wholly owned by the Company, the Hong Kong Company will be directly and wholly owned by the Target Company and directly hold the WFOE and the WFOE will be directly and wholly owned by the Hong Kong Company and have control over the PRC Company upon execution of the VIE Contracts. Mr. Shi is therefore a connected person of the Company at the subsidiary level. The transactions contemplated under the VIE Contracts constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given (i) the Directors have approved the VIE Contracts; and (ii) the independent non-executive Directors have confirmed that the terms of the VIE Contracts are fair and reasonable and the VIE Contracts are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, such continuing connected transactions are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company considers that it would be impracticable and unduly burdensome and would add unnecessary administrative cost to the Company for all transactions contemplated under the VIE Contracts to be subject to strict compliance with the requirements set forth under Rule 14A.52 and Rule 14A.53 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from (i) fixing the term of the VIE Contracts for a period of not exceeding three years pursuant to Rule 14A.52 and (ii) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the service fees payable by the PRC Company to the WFOE under the relevant VIE Contracts, for so long as the Shares are listed on the Stock Exchange and subject to the conditions as set out under the paragraphs headed "The waiver for the continuing connected transactions" in the Letter from the Board.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of (i) the fairness and reasonableness of the VIE Contracts and the transactions contemplated thereunder, whether they are in the interests of the Company and the Shareholders as a whole; (ii) whether the duration of the VIE Contracts of more than three years is justifiable, commercially reasonable and in line with the normal business practice for agreements of similar nature. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give independent opinion to the Independent Board Committee for it to advise the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information, facts and representations provided, and the opinions and views expressed, to us by the Company, the Directors and/or the management of the Group, and (ii) the information, facts, representations, opinions and views of the Company, the Directors and/or the management of the Group contained or referred to in the Circular, including but not limited to the Letter from the Board contained therein, all of which have been assumed to be true, accurate and complete at the time they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, view and intention made by the Company, the Directors and/or the management of the Group in the Circular, including but not limited to the Letter from the Board contained therein, were reasonably made after due and careful enquiry and the expectations and intentions made by the Company, the Directors and/or the management of the Group will be met or carried out as the case may be. We consider that we have received and reviewed sufficient information to reach an informed view and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and/or the management of the Group. We have been confirmed by the Company that no material facts have been withheld or omitted from the information provided to us, the opinion expressed to us, and/or information or opinion contained or referred to in the Circular.

We have not, however, carried out any independent verification of the information provided by the Company, the Directors and/or the management of the Group, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group, the counter parties to the VIE Contracts, or any of its respective subsidiaries, controlled entities, jointly controlled entities or associates. We consider that we have performed our duties with impartiality and independence from the Company.

The Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we were not aware of any relationships between us and, nor any interests held by us in, the Company or the counter parties to the VIE Contracts that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. In the past two years preceding the Latest Practicable Date, there was no engagement between the Company and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exist whereby we had received any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the VIE Contracts and the transactions contemplated thereunder.

PRINCIPAL REASONS AND FACTORS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the VIE Contracts, we have taken into consideration the following principal reasons and factors:

(1) Background of and reasons for entering into of the VIE Contracts

(a) Development strategy of the Group

The Group is principally engaged in sale of financial assets, property investment, money lending, and design and sale of jewelry products. As stated in the Letter from the Board and further confirmed by the Directors, it is the strategy of the Group to diversify its existing business and generate new income source. Hence, the Group entered into the Sale and Purchase Agreement in May 2021 to acquire the entire issued share capital of the Target Company to tap into a new business line, being online marketing solutions and advertising agency services business as well as the Online Short Video Transaction Platform to be launched by the PRC Company. Due to the restriction on foreign investment in radio and TV program production and value-added telecommunications services in the PRC according to the relevant PRC laws and regulations as discussed in the paragraphs headed “(c) Foreign investment restriction on the business of the PRC Company” below, the WFOE entered into the VIE Contracts with the PRC Company and/or relevant parties. Upon completion of the Target Reorganisation, the Group would have indirect control over the PRC Company and enjoy all actual or potential economic interests and benefits of it by virtue of the arrangement under the VIE Contracts.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Business and financial performance of the PRC Company

The PRC Company is a company established in the PRC with limited liability which is wholly owned by the PRC Equity Owners after completion of the Target Reorganisation. It is principally engaged in provision of online marketing solutions (including production of short video advertisements) and advertising agency services. Established in August 2019, the PRC Company Group recorded revenue of approximately RMB108.6 million and net profit after tax of approximately RMB2.8 million for the year ended 31 December 2020.

(c) Foreign investment restriction on the business of the PRC Company

The PRC Company Group is developing the Online Short Video Transaction Platform, which involves production and transaction of radio and television program as well as provision of internet information services and mainly offers one-stop short video services.

We have reviewed the PRC Legal Opinion issued by PRC Legal Adviser, and noted that the Program License and the Telecommunication License are required by the PRC Company to launch and operate such platform. However, there is restriction on foreign investment in such business according to the relevant PRC laws and regulations. According to 《外商投資准入特別管理措施(負面清單)》(Special Administrative Measures for Foreign Investment Access (Negative List)*) promulgated by the National Development and Reform Commission and Ministry of Commerce in June 2020, radio and TV program production in the PRC is strictly prohibited from foreign investors. Further, ratio of investment by foreign investor in a company providing value-added telecommunications services (except for electronic commerce, domestic multi-party communication, store-and-forward, and call center) in the PRC shall not exceed 50% and such foreign investor must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas. However, the PRC Legal Adviser advises that currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the aforesaid qualification requirements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Hence, instead of holding direct equity interest in the PRC Company, the WFOE entered into the VIE Contracts with the PRC Company and/or relevant parties to enable the WFOE to gain effect control over the PRC Company and be entitled to the entire economic interests and benefits of it. The VIE Contracts do not involve in any consideration. As stated in the PRC Legal Opinion, the PRC Legal Adviser is of the view that (i) the VIE Contracts are legal, valid and binding on the parties thereto, the contents of each of the VIE Contracts do not violate the mandatory provisions of the current PRC laws. In addition, we understood from the Directors that they had confirmed with the auditors of the Company that, through the VIE Contracts, the Company has the right to consolidate the financial results of the PRC Company into the accounts of the Group. As such, the Group will have additional revenue stream from the operation of the PRC Company.

Taking into consideration that (i) it is the Group's strategy to diversify its existing business and broaden its income stream; (ii) the restriction on investment in the business of the PRC Company by the Group as a foreign investor under the current PRC laws and regulations; (iii) the VIE Contracts enable the Group to control the management and operation of, and receive the economic benefits derived by, the PRC Company; (iv) the legality and validity of the VIE Contracts as advised by the PRC Legal Adviser; (v) the Company was confirmed by its auditors that consolidation of the financial results of the PRC Company into the accounts of the Group is allowed by virtue of the arrangement under the VIE Contracts; and (vi) the entering into of the VIE Contracts did not involve in any consideration, we concur with the Director's view that the entering into of the VIE Contracts are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(2) Principal terms of the VIE Contracts

Set out below is a summary of the agreements under the VIE Contracts and the brief description of the subject matter. For the principal terms of the VIE Contracts, please refer to the Letter from the Board.

Agreements under the VIE Contracts

Brief description of the subject matter

1. The Exclusive Business Cooperation Agreement

Scope of service
The PRC Company shall engage the WFOE for the provision of management, consulting services, technical support and other commercial services on exclusive basis.

Fee

In respect to the services provided by the WFOE to the PRC Company contemplated under the Exclusive Business Cooperation Agreement, the PRC Company shall pay the WFOE the service fees. The service fees shall be 100% of the total consolidated profit of the PRC Company before tax, after the deduction of any accumulated deficit of the PRC Company in the preceding financial year(s) (if any), operating costs, reasonable expenses, taxes and other statutory contributions in any financial year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreements under the VIE Contracts

Brief description of the subject matter

2. The Exclusive Purchase Right and Equity Custodian Agreement

The PRC Company and the PRC Equity Owners shall irrevocably grant the WFOE or its nominee(s) an exclusive right to purchase all or part of the PRC Equity Owners' equity interests in the PRC Company or all or any assets (as the case may be) of the PRC Company as permitted under the then PRC laws, at RMB1 or the lowest price permissible under the PRC laws. Where the purchase price required by the relevant PRC laws is more than RMB1, the PRC Equity Owners shall return the amount of purchase price they have received less the RMB1 to the WFOE or its nominee(s).
3. The Equity Pledge Agreement

The PRC Equity Owners shall agree to pledge all of its equity interest in the PRC Company to the WFOE to secure the performance of the obligations of the PRC Company Group and the PRC Equity Owners under the VIE Contracts.
4. The Power of Attorney

The PRC Equity Owners shall unconditionally and irrevocably authorise the WFOE or its successor (including but not limited to the directors of the WFOE and/its parent company, their successors and liquidators, but does not include anyone who is a connected person of the PRC Equity Owners or the PRC Company (including the PRC Equity Owners, the current directors, chief executives and supervisors of any members of the PRC Company Group, directors of any members of the PRC Company Group in the last 12 months, and associates of the above persons) or may cause conflict of interests to the WFOE) to exercise all of their rights as shareholders of the PRC Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreements under the VIE Contracts

Brief description of the subject matter

5. The Spouse Consent
- The spouse of each of the PRC Equity Owners shall unconditionally and irrevocably agree (i) the respective PRC Equity Owner to enter into the VIE Contracts; (ii) all the benefits generated from all the equity interests held by the respective PRC Equity Owner in the WFOE do not form part of their matrimonial property; and (iii) not to intervene in the operation and management of the WFOE that may affect the respective PRC Equity Owner from fulfilling the obligations under the VIE Contracts.

In accordance with the Stock Exchange's Guidance Letter HKEx-GL77-14 which provides guidance to listed issuers using contract-based arrangements or structures to indirectly own and control any part of their businesses, the structured contracts should be narrowly tailored to achieve the issuer's business purpose and minimise the potential for conflict with relevant PRC laws and regulations, and the issuer should obtain a PRC legal opinion that the contractual arrangements comply with PRC laws, rules and regulations. We have obtained and reviewed the VIE Contracts, the PRC legal opinion in respect of the VIE Contracts and the Letter from the Board, and noted that:

- (i) the VIE Contracts are legal, valid and binding on the parties thereto, the contents of each of the VIE Contracts do not violate the mandatory provisions of the current PRC laws, except under the situation that under the current PRC laws, the arbitration body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, therefore the injunctive relief and other temporary relief measures under VIE Contracts may not be legally and effectively enforced under current PRC law;
- (ii) the PRC contract law has been repealed by the Civil Code of the PRC from 1 January 2021. Thus, the positive confirmation that the VIE Contracts would not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC contract law is inapplicable;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the execution and performance of the VIE Contracts do not violate the provisions of the Civil Code of the PRC including in particular “impairing others’ legitimate rights and interests with malicious collusion” or fall within any of the circumstances under which a contract may become invalid pursuant to the Civil Code of the PRC;
- (iv) the Power of Attorney was executed which grant the WFOE or its successors of the PRC Equity Owners or the PRC Company the power to exercise all rights of the PRC Company’s shareholders, including but not limited to the rights to vote in a shareholders’ meeting, sign minutes, file documents with the relevant authorities;
- (v) the arbitrators may award remedies over the equity interest or assets of the PRC Company, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) and/or winding up of the PRC Company;
- (vi) the courts of the PRC, Hong Kong, BVI, Bermuda and the places where the WFOE or the PRC Company’s principal assets are located have the jurisdictions to grant interim injunctive relief or other interim remedies in support of the arbitration pending formation of the arbitration tribunal or in appropriate cases;
- (vii) the VIE Contracts will enable the Group to receive the service fees from the PRC Company, which shall be 100% of the total consolidated profit of the PRC Company before tax, after the deduction of any accumulated deficit of the PRC Company in the preceding financial year(s) (if any), operating costs, reasonable expenses, taxes and other statutory contributions in any financial year;
- (viii) neither the VIE Contracts nor PRC laws and regulations require that the Company and the WFOE be obligated to share the losses of, or provide financial support to the PRC Company. The PRC Company is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it;
- (ix) the VIE Contracts provided that, without the prior written consent from the WFOE, the PRC Equity Owners and the PRC Company shall be prohibited from selling, offering to sell, transferring, donating, pledging or otherwise disposing of all or part of the equity interests, or all or part of the assets (as the case may be) in the PRC Company, or granting others a right to purchase such equity interests or assets (as the case may be);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (x) the Directors has discussed with and confirmed with the auditors of the Company that the Company has the right to consolidate the accounts of PRC Company into the accounts of the Group pursuant to the VIE Contracts;
- (xi) the Group will adopt the internal control measures as set out under the paragraphs headed “Internal control” in the Letter from the Board to monitor the operation of the PRC Company Group;
- (xii) the WFOE has the right to unwind the VIE Contracts as soon as the relevant PRC laws allow the WFOE to register itself as the shareholder of the PRC Company. And the WFOE or its nominee(s) has been granted an exclusive right to purchase all or part of the equity interest in or assets of the PRC Company (as the case may be) as permitted under the then PRC laws at RMB1 or the lowest price permissible under the PRC laws;
- (xiii) the provisions set out in the VIE Contracts are binding on the successors of the PRC Equity Owners. In the event of bankruptcy of the PRC Company or incapacitation, death, bankruptcy or divorce of the PRC Equity Owners, as set out in the PRC Legal Opinion, under the succession laws of the PRC, the statutory successors include one’s spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by such successors would be a breach of the VIE Contracts. In case of a breach, the WFOE has the right to claim against the successors in accordance with the VIE Contracts, without affecting the validity of the VIE Contracts; and
- (xiv) upon completion of transfer of all the equity interests in the PRC Company held by the PRC Equity Owners to the WFOE pursuant to the Exclusive Purchase Right and Equity Custodian Agreement, the Exclusive Business Cooperation Agreement shall be terminated.

Having considered the above, we are of the view that the VIE Contracts have taken into account of the principles set out in the Stock Exchange’s guidance letter HKEx-GL-77-14 and the terms of the VIE Contracts are on normal commercial terms, fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) Duration and annual caps under the VIE Contracts

The Company has applied for, and the Stock Exchange has granted the following waivers:

(i) *Waiver from limiting the term of each of the VIE Contracts to three years or less pursuant to Rule 14A.52 of the Listing Rules*

The VIE Contracts are structured to facilitate the expansion of the Group's business into the online marketing and advertising agency business in the PRC. So long as the restriction on the foreign investors to invest and operate in (i) the radio and television program production business and (ii) the value-added telecommunications business in PRC are still applicable, the VIE Contracts are necessary and fundamental for the Group to carry on the online marketing and advertising agency business in the PRC. As the VIE Contracts enable WFOE to obtain the effective control of the PRC Company and to absorb the financial results, the entire economic benefits and the risks of the business of the PRC Company, the VIE Contracts are the key for the Group to treat the PRC Company as its subsidiary and therefore consolidate its financial results into the account of the Group. Given the VIE Contracts are of paramount importance to the operation of the online marketing and advertising agency business in the PRC, it is commercially desirable for the VIE Contracts to be of a term of more than three years in order to secure the economic benefits from the business of the PRC Company in the long term until the WFOE or any nominee of the Group are permitted to be a registered shareholder of the PRC Company.

In order to assess the fairness and reasonableness of the duration of the VIE Contracts, we have identified a list of contract-based arrangements or structures ("VIE") adopted by companies listed on the Stock Exchange (the "**Comparable Company(ies)**") which enable the relevant listed companies to obtain control over and economic benefits generated by the PRC operating companies in which foreign investment is restricted by the relevant PRC laws and regulations (the "**Comparable Transactions**") as announced during the twelve-month period from 28 August 2020 to 27 August 2021, being the date of the VIE Contracts (the "**Review Period**"). To the best of our knowledge and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

as far as we are aware of, we identified 16 Comparable Transactions which were announced during the Review Period and have not lapsed as at the Latest Practicable Date. The following table sets forth the relevant details of the Comparable Transactions:

Date of announcement	Company name (stock code)	Businesses contemplated under VIE	Duration of VIE agreement to obtain control over and economic benefits generated by PRC operating company	Reasons to establish VIE structure
28 August 2020	Lajin Entertainment Network Group Limited (8172)	Production of broadcasting television programmes and internet technical service business among others	10 years (automatically renew)	In order to comply with the PRC laws and regulation on restriction of investment/operation of (i) value-added telecommunications, (ii) internet information, (iii) internet audio-visual program services; and (iv) internet cultural operations (except music) & internet publishing services or broadcasting television programs production operation business in the PRC by foreign investors
10 September 2020	ZZ Capital International Limited (8295)	Provision of back-office services (primarily provision of customer service solutions, and setting up of contact service system and centres)	10 years (automatically renew)	In order to comply with the PRC laws and regulation on ownership/operation of value-added telecommunications services business in the PRC by foreign investors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Businesses contemplated under VIE	Duration of VIE agreement to obtain control over and economic benefits generated by PRC operating company	Reasons to establish VIE structure
14 September 2020	Imperium Group Global Holdings Limited (776)	Development and design of online game programs and operation of online games	No fixed term	In order to comply with the PRC laws and regulation on restriction of investment/operation of value-added telecommunications and internet cultural services business in the PRC by foreign investors
25 September 2020	Inke Limited (3700)	Operation of live streaming platforms with the focus on online dating and ecommerce segments	10 years (automatically renew)	In order to comply with the PRC laws and regulation on restriction of ownership/operation of value-added telecommunications and internet cultural business in the PRC by foreign investors
28 September 2020	Zengame Technology Holding Limited (2660)	Provision of mobile game services	No fixed term	In order to comply with the PRC laws and regulation on restriction of investment/operation of internet culture business in the PRC by foreign investors
4 November 2020	E-House (China) Enterprise Holdings Limited (2048)	Provision of online-to-offline real estate services	No fixed term	In order to comply with the PRC laws and regulation on ownership/operation of value-added telecommunications services and advertising business in the PRC by foreign investors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Businesses contemplated under VIE	Duration of VIE agreement to obtain control over and economic benefits generated by PRC operating company	Reasons to establish VIE structure
9 November 2020	7Road Holdings Limited (797)	Development and operation of online and mobile games	No fixed term	In order to comply with the PRC laws and regulation on restriction of investment/operation of value-added telecommunications services and internet cultural operation business in the PRC by foreign investors
18 November 2020	Fire Rock Holdings Limited (1909)	Provision of online games operating service	No fixed term	In order to comply with the PRC laws and regulation on restriction of ownership/operation of value-added telecommunications services business in the PRC by foreign investors
14 December 2020	China Fordoo Holdings Limited (2399)	Operation of sales and marketing of automobiles through an online e-commerce platform	No fixed term	In order to comply with the PRC laws and regulation on restriction of ownership/operation of value-added telecommunications services business in the PRC by foreign investors
20 January 2021	Shanghai Gench Education Group Limited (1525)	Provision of private higher education business in the PRC	No fixed term	In order to comply with the PRC laws and regulation on restriction of ownership/operation of higher education institutions in the PRC by foreign investors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Businesses contemplated under VIE	Duration of VIE agreement to obtain control over and economic benefits generated by PRC operating company	Reasons to establish VIE structure
8 February 2021	Goldpac Group Limited (3315)	Operation of information service platform for online data processing and transactions processing services as well as information service business	No fixed term	In order to comply with the PRC laws and regulation on restriction of ownership/operation of value-added telecommunications business in the PRC by foreign investors
17 March 2021	Meitu, Inc. (1357)	Provision of online recruitment services and online advertising services on the photo apps in the PRC	10 years (automatically renew)	In order to comply with the PRC laws and regulation on restriction of ownership/operation of value-added telecommunications and online audio-visual program business in the PRC by foreign investors
30 April 2021	Asia Energy Logistics Group Limited (351)	Provision of information services and operates (i) enterprise dedicated data line segment, (ii) SMS segment and (iii) voice messaging segments	No fixed term	In order to comply with the PRC laws and regulation on restriction of ownership/operation of value-added telecommunications business in the PRC by foreign investors
26 May 2021	Hygeia Healthcare Holdings Co., Limited (6078)	Ownership of a hospital, being a medical institution, in the PRC	3 years (automatically renew)	In order to comply with the PRC laws and regulation on restriction of ownership of medical institution in the PRC by foreign investors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Businesses contemplated under VIE	Duration of VIE agreement to obtain control over and economic benefits generated by PRC operating company	Reasons to establish VIE structure
21 June 2021	China Dili Group (1387)	Operation of online supply chain and logistics business	No fixed term	In order to comply with the PRC laws and regulation on restriction of ownership/operation of on the value-added telecommunications services business services in the PRC by foreign investors
24 June 2021	Hygeia Healthcare Holdings Co., Limited (6078)	Ownership of a hospital, being a medical institution, in the PRC	3 years (automatically renew)	In order to comply with the PRC laws and regulation on restriction of ownership of medical institution in the PRC by foreign investors

Source: the website of the Stock Exchange

In respect of the duration of the VIE agreements entered into by the Comparable Companies to obtain control over and economic benefits generated by their respective PRC operating companies, among the 16 Comparable Transactions as shown above, 14 of which ranged from 10 years to no fixed term, and the remaining 2 could also be regarded as more than 3 years as their initial 3-year term could be automatically renewed. In view of the above, we consider that it is a normal business practice and required for contracts of similar nature to the VIE Contracts to be of a term of more than three years.

(ii) *Waiver from setting annual caps for the transactions contemplated under each of the VIE Contracts pursuant to Rule 14A.53 of the Listing Rules*

Pursuant to the Exclusive Business Cooperation Agreement, the PRC Company shall pay to the WFOE the service fees in each financial year. This arrangement is indeed enabling the economic benefits generated by the PRC Company to flow into the WFOE. If annual caps are set for the service fees to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

be paid by the PRC Company to the WFOE, there will be a limitation on the WFOE in respect of the full capture of the economic benefits generated by the PRC Company, which defects the purpose of the arrangement under the VIE Contracts. Hence, we concur with the view of the Directors that it would be impracticable and unduly burdensome for the Company to set the annual caps at the beginning of the financial year or to renew the annual caps during the interim of the financial year upon foreseeing the possible breach of which.

As stated in the Letter from the Board, the Stock Exchange has agreed to grant the aforesaid waivers subject to the following conditions:

- (i) no changes to the terms of any of the VIE Contracts will be made without the approval of the independent non-executive Directors and the Independent Shareholders;
- (ii) the VIE Contracts shall continue to enable the Group to receive the economic benefits derived by the PRC Company through: (i) the WFOE's right (if and when so allowed under the applicable PRC laws) to acquire part or all of the equity interest in the PRC Company held by the PRC Equity Owners pursuant to the Exclusive Purchase Right and Equity Custodian Agreement; (ii) the business structure under which the net profit generated by the PRC Company is substantially retained by the WFOE (such that no annual caps shall be set on the amount of the service fees payable to the WFOE under the relevant VIE Contracts); and (iii) the WFOE's right to control the management and operation of, as well as, in substance, all of the voting rights of the PRC Company;
- (iii) the Group will disclose details relating to the VIE Contracts on an ongoing basis as disclosed in the Letter from the Board; and
- (iv) the appointment of independent financial adviser to explain why the VIE Contracts require a longer period and to confirm that it is a normal business practice for agreements of such type to be of such duration.

We consider that the abovementioned conditions safeguard the interests of the Company and the Shareholders, in particular, any change to the terms of the VIE Contracts will require the approval from the independent non-executive Directors and the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that (i) the entering into of the VIE Contracts and the transactions contemplated thereunder, although not in the ordinary and usual course of business of the Group, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) the duration of the VIE Contracts of more than three years is justifiable, commercially reasonable and in line with the normal business practice for agreements of similar nature to the VIE Contracts. Accordingly, we advise the Independent Board Committee to recommend, and we recommend, the Independent Shareholders to vote in favour of the resolutions to approve the VIE Contracts and the transactions contemplated thereunder, if a physical general meeting were to be convened for the purpose of considering and if thought fit, approving the VIE Contracts and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Capital 9 Limited

Chu Tat Hoi
Managing Director

Mr. Chu Tat Hoi is a licensed person and responsible officer of Capital 9 Limited registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over 20 years of experience in the corporate finance industry.

* *For identification purposes only*

FINANCIAL INFORMATION INCORPORATED BY REFERENCE

Financial information and management discussion and analysis of the Group for each of the three years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 are disclosed in the following documents which have been published on the websites of the Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.etsnityinv.com.hk>).

The unaudited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the six months ended 30 June 2021 have been set out in pages 3 to 49 and pages 50 to 69 respectively of the 2021 interim report of the Company which are incorporated by reference into this circular and are available on the Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the 2021 interim report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0927/2021092700529.pdf>

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2020 have been set out in pages 107 to 283 and pages 7 to 45 respectively of the 2020 annual report of the Company which are incorporated by reference into this circular and are available on the Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the 2020 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042801081.pdf>

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2019 have been set out in pages 104 to 287 and pages 7 to 45 respectively of the 2019 annual report of the Company which are incorporated by reference into this circular and are available on the Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the 2019 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051400715.pdf>

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2018 have been set out in pages 107 to 279 and pages 8 to 46 respectively of the 2018 annual report of the Company which are incorporated by reference into this circular and are available on the Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the 2018 annual report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn201904251086.pdf>

STATEMENT OF INDEBTEDNESS**Borrowings**

At the close of business on 30 September 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, total borrowings of the Enlarged Group amounted to HK\$629,263,000, representing:

- a. the outstanding principal amount of the Notes of HK\$200,000,000, which is interest bearing at 13% per annum, secured by (i) a share charge over 100% issued shares in Eternity Investment (China) Limited (formerly known as China Jiu hao Health Industry Group Limited), a wholly-owned subsidiary of the Company and the principal assets of which are (1) the rights to construct and operate the club facilities of the Club, and (2) the rights to develop and operate the Subject Land and the rights to manage the properties erected on the Subject Land, and (ii) the personal guarantees given by Mr. Lei, and Mr. Cheung Kwok Wai Elton, an executive Director. The Notes matured on 25 September 2021 and the parties are preparing documents in respect of a new HK\$200,000,000 13% guaranteed secured notes due on 24 September 2022 to be issued by the Company to settle the amount outstanding under the Notes.
- b. the banking facilities in the aggregate principal amount of HK\$160,129,000, comprising (i) an instalment loan of HK\$109,569,000, which is interest bearing at 1% per annum over one-month HIBOR or 3% per annum below the prime rate quoted by the bank, whichever is lower, secured by a first legal charge over the Shun Tak Property, guaranteed by the Company and two wholly-owned subsidiaries of the Company, and maturing on 18 March 2038; (ii) two advances of HK\$5,000,000 and HK\$20,000,000 under a revolving term loan, which are interest bearing at HIBOR plus 2% per annum, secured by the first legal charge over the Shun Tak Property, guaranteed by the Company and a wholly-owned subsidiary of the Company, and maturing on 9 March 2022 and 27 October 2021 respectively; and (iii) various advances in the aggregate principal amount of HK\$25,560,000 under the account payable financing facilities, which are interest bearing at 2% per annum over HIBOR, secured by the first legal charge over the Shun Tak Property, guaranteed by the Company and a wholly-owned subsidiary of the Company, and maturing within five months commencing from October 2021;
- c. a loan of HK\$200,000,000 granted by a finance company, which is interest bearing at 8% per annum, secured by (i) the post-dated cheques drawn in favour of the finance company for payment of the principal and the interests stipulated under the loan agreement, and (ii) a personal guarantee given by Mr. Lei, and maturing on 27 May 2022;

APPENDIX I FINANCIAL INFORMATION OF THE GROUP

- d. the securities margin financing facility of HK\$55,142,000 granted by a securities company, which are interest bearing at prime rate plus 3% per annum and secured by the Enlarged Group's listed securities in Hong Kong held in the margin securities trading account and a personal guarantee given by Mr. Lei;
- e. the securities margin financing facility of HK\$13,392,000 granted by a securities company, which are interest bearing at a fixed rate of 6% per annum and secured by the Enlarged Group's listed securities in Hong Kong held in the margin securities trading account and a personal guarantee given by Mr. Lei; and
- f. a cash advance of HK\$600,000 made by Mr. Cheung Kwok Fan, an executive Director, to the Group for financing its short-term funding needs. The cash advance is non-interest bearing, unsecured, non-guaranteed and repayable on demand.

Lease liabilities

At the close of business on 30 September 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total lease liabilities of the Enlarged Group amounted to HK\$285,961,000 in respect of offices, staff dormitories, the rights to construct and operate the club facilities of the Club, the rights to develop and operate the Subject Land and the rights to manage the properties erected on the Subject Land leased by the Enlarged Group as lessee. The lease liabilities are unsecured and non-guaranteed.

Commitments

As at the close of business on 30 September 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had commitments of RMB202,092,000 (equivalent to HK\$242,591,000) relating to the development costs for the Subject Land which were unsecured, non-guaranteed and contracted but not provided for.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 September 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, which were either guaranteed, unguaranteed, secured or unsecured, any mortgages and charges, or any contingent liabilities or guarantees.

APPENDIX I FINANCIAL INFORMATION OF THE GROUP

Save as aforesaid, the Directors confirmed that there had been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 30 September 2021 and up to the Latest Practicable Date.

WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration of the financial resources available to the Enlarged Group, the Enlarged Group will have sufficient working capital for at least twelve months from the date of publication of this circular.

MATERIAL ACQUISITION

After 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up, save for the Acquisition, no member of the Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the Company's auditors' report or next published accounts.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

FINANCIAL AND TRADING PROSPECTS

In late July 2021, the Hong Kong equity market experienced heavy selling in the PRC stocks causing the Hang Seng Index to suffer a heavy loss. The sell-off in the PRC stocks came as the PRC authorities continue to step up their regulation in sectors from technology to education and food delivery. Despite the PRC authorities' reassurance investors over their recent aggressive policy on the education sector, the Directors expect the Hong Kong equity market remains volatile in the second half of 2021. Accordingly, the Directors will closely monitor and adjust the Group's listed securities portfolio from time to time and realise the Hong Kong-listed securities held by the Group into cash as and when appropriate in the second half of 2021.

APPENDIX I FINANCIAL INFORMATION OF THE GROUP

As the Delta variant poses risks to the economic recovery, the Directors intend to maintain the size of the Group's loan portfolio in the second half of 2021. As a result, it is expected that the interest income on loans generated from the Group's money lending business in the second half of 2021 will be more or less the same as the first half of 2021. Nevertheless, the Directors will continue to monitor the performance of the loan portfolio closely, especially in the repayment and financial condition of each customer.

As the Group started to receive sales orders from European and American customers in June 2021, the Directors expect the performance of the Group's sales of jewelry business will improve in the second half of 2021.

As the development of the second and third phases of the Subject Land is underway, the Directors expect the performance of the Group's property investment business in the second half of 2021 will be mostly the same as the first half of 2021. However, given that the development of the second and third phases of the Subject Land is underway, the Directors will put more effort and resources into the Group's property investment business to ensure the development of the second and third phases of the Subject Land completes as planned.

Due to the economic and market uncertainty, the Directors remain cautious and watchful over the development of the COVID-19 pandemic and its impacts. Accordingly, the Directors commit to lead the Group to weather the challenges and continue to monitor the business environment cautiously, and strengthen the Group's business foundation by focusing on its existing businesses.

With the aim to diversifying the existing business of the Group and broadening the income streams of the Group, the Directors have been actively seeking business opportunities in addition to the current business of the Group. The Directors are optimistic about the development of online short video business and thus the future prospects of the Target Group. The Directors consider that the Acquisition is an attractive opportunity for the Group to tap into the online short video market in the PRC amid promising market conditions, so as to enhance the Group's business portfolio and enable the Group to record additional revenue.

The following is the text of a report set out on pages II-1 to II-47, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF BEIJING LINGJIU CHUANGXIANG TECHNOLOGY LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF ETERNITY INVESTMENT LIMITED

Introduction

We report on the historical financial information of Beijing Lingjiu Chuangxiang Technology Limited (the “**PRC Company**”) and its subsidiaries (together, the “**PRC Company Group**”) set out on pages II-5 to II-47, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, for the period from 5 August 2019 (date of establishment) to 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021 (the “**Relevant Periods**”) and the consolidated statements of financial position of the PRC Company Group as at 31 December 2019, 31 December 2020 and 30 June 2021 and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-5 to II-47 forms an integral part of this report, which has been prepared for inclusion in the circular of Eternity Investment Limited (the “**Company**”) dated 25 November 2021 (the “**Circular**”) in connection with the acquisition of entire issued share capital in Proactivity Plus Co., Ltd..

Directors' responsibility for the Historical Financial Information

The directors of the PRC Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors of the PRC Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of PRC Company Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standards on Investment Circular Reporting Engagements 200 "*Accountants' Reports on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 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 of the PRC Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of the PRC Company Group as at 31 December 2019, 31 December 2020 and 30 June 2021 and of its consolidated financial performance and its consolidated cash flows of the PRC Company Group for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the PRC Company Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2020 and other explanatory information (the “**Interim Comparative Financial Information**”). The directors of the PRC Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-5 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the PRC Company in respect of the Relevant Periods.

Historical financial statements for the PRC Company

As at the date of this report, no statutory financial statements have been prepared for the PRC Company since its incorporation.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hon Koon Fai, Alex

Practising Certificate Number: P05029

Hong Kong, 25 November 2021

**I HISTORICAL FINANCIAL INFORMATION OF THE PRC COMPANY
GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the PRC Company Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and were audited by HLB Hodgson Impey Cheng Limited in accordance with the Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

		Period from 5 August 2019 (date of establishment) to 31 December	Year ended 31 December	Six months ended 30 June	
	Notes	2019 RMB'000	2020 RMB'000	2020 RMB'000 (unaudited)	2021 RMB'000
Revenue	5	2	108,575	15,011	140,802
Cost of sales		—	(103,454)	(14,277)	(133,009)
Gross profit		2	5,121	734	7,793
Other income	6	—	182	—	1,308
Selling expenses		(339)	(640)	(336)	(268)
Administrative expenses		(200)	(1,630)	(413)	(1,384)
(Loss)/profit from operations	7	(537)	3,033	(15)	7,449
Finance costs	8	—	(4)	—	(7)
(Loss)/profit before taxation		(537)	3,029	(15)	7,442
Income tax expenses	10	—	(233)	—	(1,318)
(Loss)/profit and total comprehensive (loss)/ income for the period/ year		(537)	2,796	(15)	6,124

The accompanying notes form an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December 2019 RMB '000	2020 RMB '000	As at 30 June 2021 RMB '000
Non-current assets				
Equipment	<i>12</i>	—	114	145
Right-of-use asset	<i>13</i>	—	392	272
		—	506	417
Current assets				
Trade receivables	<i>14</i>	—	54,218	39,436
Deposits, prepayments and other receivables	<i>15</i>	2	11,594	15,525
Amount due from a related company	<i>19</i>	—	—	28
Bank balances		43	12,904	49,095
		45	78,716	104,084
Current liabilities				
Trade payables	<i>16</i>	—	56,019	91,825
Other payables and accruals	<i>17</i>	30	19,915	674
Contract liabilities	<i>18</i>	—	287	2,344
Amounts due to related parties	<i>19</i>	552	186	186
Lease liability	<i>20</i>	—	213	222
Tax payables		—	233	867
		582	76,853	96,118
Net current (liabilities)/assets		(537)	1,863	7,966
Total assets less current liabilities		(537)	2,369	8,383
Non-current liability				
Lease liability	<i>20</i>	—	110	—
Net (liabilities)/assets		(537)	2,259	8,383
Capital and reserve				
Paid-in capital	<i>21</i>	—	—	—
Reserve		(537)	2,259	8,383
Total (deficit)/equity		(537)	2,259	8,383

The accompanying notes form an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital RMB'000	Statutory reserve RMB'000 (Note)	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 5 August 2019 (date of establishment)	—	—	—	—
Loss and total comprehensive loss for the period	—	—	(537)	(537)
At 31 December 2019 and 1 January 2020	—	—	(537)	(537)
Profit and total comprehensive income for the year	—	—	2,796	2,796
Transfer from/(to) reserve	—	228	(228)	—
At 31 December 2020 and 1 January 2021	—	228	2,031	2,259
Profit and total comprehensive income for the period	—	—	6,124	6,124
Transfer from/(to) reserve	—	612	(612)	—
At 30 June 2021	—	840	7,543	8,383
At 1 January 2020	—	—	(537)	(537)
Loss and total comprehensive loss for the period (unaudited)	—	—	(15)	(15)
At 30 June 2020 (unaudited)	—	—	(552)	(552)

Note:

Statutory reserve

In accordance with the relevant laws and regulation provided in the People's Republic of China (the "PRC"), PRC entities within the PRC Company Group are required to appropriate its net profit, as determined in accordance with the generally accepted accounting principles of PRC. This reserve is not distributable to its shareholders.

PRC entities within the PRC Company Group are required to appropriate 10% of its profit for the year to the statutory reserve until the statutory reserve balance of that PRC entity equals 50% of the registered capital. The appropriation to statutory reserve must be made before the distribution of dividends to its shareholders.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Period from 5 August 2019 (date of establishment) to 31 December	Year ended 31 December	Six months ended 30 June	
<i>Notes</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2021 <i>RMB'000</i>
				<i>(unaudited)</i>	
Cash flows from operating activities					
(Loss)/profit before taxation	(537)	3,029	(15)	7,442	
Adjustments for:					
Depreciation of equipment	<i>12</i>	—	1	—	23
Depreciation of right-of-use asset	<i>13</i>	—	39	—	105
Value-added tax credit	<i>6</i>	—	(177)	—	(1,281)
Interest income	<i>6</i>	—	(5)	—	(27)
Finance costs	<i>8</i>	—	4	—	7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating cash flows before movement in working capital					
(Increase)/decrease in trade receivables	(537)	2,891	(15)	6,269	
(Increase)/decrease in deposits, prepayments and other receivables	—	(54,218)	(14,558)	14,782	
Increase in amount due from a related company	(2)	(11,592)	(83)	(2,650)	
Increase in trade payables	—	—	—	(28)	
Increase/(decrease) in other payables and accruals	—	56,019	14,292	35,806	
Increase in contract liabilities	30	19,550	108	(19,241)	
Increase in amounts due to related parties	—	287	674	2,057	
	<u>552</u>	<u>146</u>	<u>295</u>	<u>—</u>	
Cash generated from operations	43	13,083	713	36,995	
Income tax paid	—	—	—	(684)	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	
Net cash generated from operating activities	<u>43</u>	<u>13,083</u>	<u>713</u>	<u>36,311</u>	

APPENDIX II
**FINANCIAL INFORMATION OF
THE PRC COMPANY GROUP**

		Period from 5 August 2019 (date of establishment) to 31 December	Year ended 31 December	Six months ended 30 June	
	<i>Notes</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2020 <i>RMB'000</i> <i>(unaudited)</i>	2021 <i>RMB'000</i>
Cash flows from investing activities					
Purchases of equipment	12	—	(115)	—	(54)
Interest received		—	5	—	27
		<u>—</u>	<u>5</u>	<u>—</u>	<u>27</u>
Net cash used in investing activities		<u>—</u>	<u>(110)</u>	<u>—</u>	<u>(27)</u>
Cash flows from financing activity					
Repayment of lease liability		—	(112)	—	(93)
		<u>—</u>	<u>(112)</u>	<u>—</u>	<u>(93)</u>
Net cash used in financing activity		<u>—</u>	<u>(112)</u>	<u>—</u>	<u>(93)</u>
Net increase in cash and cash equivalents		43	12,861	713	36,191
Cash and cash equivalents at the beginning of the period/year		<u>—</u>	<u>43</u>	<u>43</u>	<u>12,904</u>
Cash and cash equivalents at the end of the period/year		<u><u>43</u></u>	<u><u>12,904</u></u>	<u><u>756</u></u>	<u><u>49,095</u></u>
Analysis of balances of cash and cash equivalents					
Bank balances		<u><u>43</u></u>	<u><u>12,904</u></u>	<u><u>756</u></u>	<u><u>49,095</u></u>

The accompanying notes form an integral part of the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE PRC COMPANY GROUP

Beijing Lingjiu Chuangxiang Technology Limited (the “**PRC Company**”) was incorporated on 5 August 2019 in the PRC with limited liability under the laws of the PRC. The address of its registered office is 北京市朝陽區酒仙橋東路18號1號樓四層A407.

During the period from 5 August 2019 (date of establishment) to 31 December 2019 and period from 1 January 2020 to 15 October 2020, the PRC Company’s immediate holding company was 成都零玖創享科技有限公司 and its ultimate controlling party was Mr. Ren Yiming. Upon share transfer effective on 15 October 2020, 開域國際控股有限公司 became immediate holding company of the PRC Company. Upon share transfer effective on 1 June 2021, Mr. Shi Kan became ultimate controlling party of the PRC Company.

The principal activities of the PRC Company and its subsidiaries (collectively referred to as the “**PRC Company Group**”) are provision of online marketing solutions and advertising agency services.

Particulars of the subsidiaries of the PRC Company are as follows:

Name of subsidiary	Country of incorporation and operation and date of establishment	Registered capital	Equity interest attributable to the PRC Company				Principal activities
			At 31 December		At 30 June	At the date of this report	
			2019	2020	2021	this report	
			%	%	%	%	
成都銘盛傳媒有限公司 (Chengdu Mingsheng Media Limited*)	PRC/25 September 2019	RMB10,000,000	100	100	100	100	Provision of online marketing solutions and advertising agency services
伊寧市零玖創享營銷策劃有限公司 (Yining Lingjiu Chuangxiang Marketing Planning Limited*)	PRC/14 September 2020	RMB2,000,000	—	100	100	100	Provision of online marketing solutions and advertising agency services

* For identification purpose only

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current period

All effective standards, amendments to standards and interpretations of HKFRS, which are mandatory for the financial year beginning on 1 January 2021, are consistently applied to the PRC Company Group for the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

The PRC Company Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

The directors of the PRC Company anticipate that the application of all the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the PRC Company Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKFRS 16 Leases and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue recognition

Revenue from contracts with customers

The PRC Company Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the PRC Company Group’s performance as the PRC Company Group performs;

- The PRC Company Group's performance creates and enhances an asset that the customer controls as the PRC Company Group performs; or
- The PRC Company Group's performance does not create an asset with an alternative use to the PRC Company Group and the PRC Company Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the PRC Company Group's right to consideration in exchange for services that the PRC Company Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 Financial Instruments. In contrast, a receivable represents the PRC Company Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the PRC Company Group's obligation to transfer services to a customer for which the PRC Company Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Principal versus agent

When another party is involved in providing services to a customer, the PRC Company Group determines whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. the PRC Company Group is a principal) or to arrange for those service to be provided by the other party (i.e. the PRC Company Group is an agent).

The PRC Company Group is a principal if it controls the specified service before that service is transferred to a customer.

The PRC Company Group is an agent if its performance obligation is to arrange for the provision of the specified service by another party. In this case, the PRC Company Group does not control the specified service provided by another party before that service is transferred to the customer. When the PRC Company Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party.

The PRC Company Group recognises revenue from the following major sources:

Online marketing solutions

The PRC Company Group provides one-stop online marketing solutions including content production, acquisition of advertisement inventory from online publishers, data analysis and advertising strategy optimisation to customers. The PRC Company Group charges the customers mainly based on optimised cost per 1,000 impression ("oCPM"), optimised cost per click ("oCPC"), cost per 1,000 impression ("CPM"), cost per click ("CPC"), cost per time ("CPT") and cost per action ("CPA"). In provision of one-stop online marketing solutions, the PRC Company Group is the primary obligor and is responsible for (i) production of advertising materials to be published on media platform, and identifying, contracting and distributing of content to different media platforms; (ii) bearing certain risk in case that the fee received by the PRC Company Group cannot cover the production costs which is similar to inventory risk; and

(iii) bearing responsibility for the contents prepared to meet the target performance of specified actions. The PRC Company Group obtains control the specified service before that service is transferred to the customers and acts as the principal of these transactions and therefore recognises revenue and costs related to these transactions on a gross basis.

Advertising agency services

The PRC Company Group provides advertising agency services to customers and the revenue and costs related to these transactions are recognised on gross or net basis depending on the scope of work of the PRC Company Group. The PRC Company Group charges the customers mainly based on oCPM, oCPC, CPM, CPC, CPT and CPA.

In the case that customers, after considering the advertising suggestions provided by the PRC Company Group, instruct the PRC Company to place the advertisement on platforms selected by the customers and the PRC Company Group helps process and handle issues related to the advertisement placement and monitor the performance of advertisement published, the PRC Company Group is the principal in this arrangement as (i) the PRC Company Group is primarily responsible for handling the advertisement placement issues with the online publisher on behalf of the customers; (ii) the online publisher is identified and determined by the PRC Company Group for customers' selection. Therefore, the PRC Company Group is the principal of these transactions and revenue and costs related to these transactions are recognised on a gross basis.

In the case that the customers only require the PRC Company Group to help place advertisements by acquiring advertisement inventory on designated online publishers, without requesting the PRC Company Group to provide advertising plans and monitor the performance of advertisement published, the PRC Company Group is not the principal in this arrangement as (i) the PRC Company Group does not provide integrated service. Online publisher, rather than the PRC Company Group, is primarily responsible for providing the advertisement publishing service; (ii) the online publisher is identified and determined by the customers, not the PRC Company Group. Therefore, the PRC Company Group is not the principal of these transactions and revenue and costs related to these transactions are recognised on a net basis.

For the customers which the PRC Company Group charges based on CPT, revenue is recognised over time on a ratable basis over the contract term beginning on the date that the service is made available to the customers. For the customers which the PRC Company Group charges based on oCPM, CPM, CPC, oCPC or CPA, revenue is recognised at a point in time when specified actions are achieved.

Provisions

Provisions are recognised when the PRC Company Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the PRC Company Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the PRC Company Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the PRC Company Group. When inflow is virtually certain, an asset is recognised.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the PRC Company Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the PRC Company Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The PRC Company Group also applies practical expedient not to separate non-lease components from lease component, an instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The PRC Company Group applies the short-term lease recognition exemption to leases of office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs incurred by the PRC Company Group; and
- an estimate of costs to be incurred by the PRC Company Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the PRC Company Group applied the practical expedient.

Right-of-use assets in which the PRC Company Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The PRC Company Group presents right-of-use assets as a separate line item on the statements of financial position.

Lease liability

At the commencement date of a lease, the PRC Company Group recognises lease liability measured at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the PRC Company Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of purchase options if the Group is reasonably certain to exercise the options; and
- payments of penalties for terminating lease, if the lease term reflects the PRC Company Group exercising of an option to terminate the lease.

After the commencement date, lease liability is adjusted by interest accretion and lease payments.

The PRC Company Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment, and
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The PRC Company Group presents lease liability as a separate line item on the statement of financial position.

Lease modifications

Except for Covid-19-related rent concessions in which the PRC Company Group applied the practical expedient, the PRC Company Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the PRC Company Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The PRC Company Group accounts for the remeasurement of lease liability by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the PRC Company Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the PRC Company Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Pension scheme

The employees employed by the PRC Company Group are members of state-managed pension schemes operated by the government of the PRC. The PRC Company Group are required to contribute a specific percentage of payroll costs to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension schemes operated by the government of the PRC is to make the specified contributions under the schemes.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from “(loss)/profit before taxation” because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The PRC Company Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the reporting periods.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting periods.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the PRC Company Group expects, at the end of each of the reporting periods, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the PRC Company Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Equipment

Equipment are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Computer equipment	33.33%
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Major costs incurred in restoring equipment to their normal working condition to allow continued use of the overall asset are capitalised and depreciated over their expected useful lives. Improvements are capitalised and depreciated over their expected useful lives to the Company.

The residual values and useful lives of items of equipment are reviewed, and adjusted if appropriate, at the end of the each reporting periods.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

Impairment of equipment and right-of-use asset

At the end of each reporting period, the PRC Company Group reviews the carrying amounts of its equipment and right-of-use asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of equipment and right-of-use asset are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the PRC Company Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGUs when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to reduce the carrying amount the assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a PRC Company Group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the financial assets are presented as “other income”.

*Financial assets**Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the PRC Company Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the PRC Company Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is derivative that is not designated and effective as a hedging instrument.

In addition, the PRC Company Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets

The PRC Company Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposits and other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the PRC Company Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The PRC Company Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for significant balances or collectively using a provision matrix for the remaining balances with appropriate groupings based on shared credit risk characteristics of customers from the relevant operating segment.

For all other instruments, the PRC Company Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the PRC Company Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the PRC Company Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the PRC Company Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the PRC Company Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the PRC Company Group has reasonable and supportable information that demonstrates otherwise.

The PRC Company Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

For internal credit risk management, the PRC Company Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the PRC Company Group, in full.

Irrespective of the above, the PRC Company Group considers that default has occurred when a financial asset is more than 180 day past due unless the PRC Company Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;

- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The PRC Company Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of loan and interest receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the PRC Company Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the PRC Company Group in accordance with the contract and the cash flows that the PRC Company Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each PRC Company Group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The PRC Company Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustments are recognised through a loss allowance account.

Financial liabilities and equity instruments*Classification as debt or equity*

Debt and equity instruments issued by the PRC Company Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the PRC Company Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade payables, other payables and accruals, amounts due to related parties and lease liability) are subsequently measured at amortised cost using the effective interest method.

Interest expense is recognised on an effective interest basis.

Derecognition*Derecognition of financial assets*

The PRC Company Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Derecognition of financial liabilities

The PRC Company Group derecognises financial liabilities when, and only when, the PRC Company Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the PRC Company Group's statements of cash flows, cash and cash equivalents comprises of cash at banks which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value.

Related parties

A party is considered to be related to the PRC Company Group if:

- (a) a person or a close member of that person's family is related to the PRC Company Group if that person:
 - (i) has control or joint control over the PRC Company Group;
 - (ii) has significant influence over the PRC Company Group; or
 - (iii) is a member of the key management personnel of the PRC Company Group or the PRC Company Group's parent.

- (b) an entity is related to the PRC Company Group if any of the following conditions applies:
 - (i) the entity and the PRC Company Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity for an associate or joint venture of a member of a PRC Company Group which the other entity is a member);
 - (iii) the entity and the PRC Company Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the PRC Company Group or an entity related to the PRC Company Group. If the reporting entity is itself such a plan, the sponsoring employees are also related to the PRC Company Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to the PRC Company Group or to the parent of the PRC Company Group.

A related party transaction is a transfer of resources, services or obligation between the PRC Company Group and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the PRC Company Group's accounting policies, which are described in Note 3 to the Historical Financial Information, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the directors of the PRC Company Group have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Principal versus agent considerations — revenue from provision of advertising agency service

In determining whether the PRC Company Group is acting as a principal or as an agent in the provision of advertising agency services requires judgements and considerations of all relevant facts and circumstances. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for ECL on trade receivables

Allowances for ECL on trade receivables are based on assumptions about risk of default and expected loss rates. The PRC Company Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the PRC Company Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 25 to the Historical Financial Information.

The collective impairment allowance for trade receivables of the PRC Company Group is based on management judgment of the debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated and management assessment of the recoverable amount. A considerable amount of judgment is required in assessing the ultimate realisation of these accounts receivable, including the current creditworthiness, the applicability of past collection history and subsequent repayment of monies of each amount.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the PRC Company Group's trade receivables are disclosed in Notes 14 and 25 to the Historical Financial Information.

5. REVENUE AND SEGMENT INFORMATION

The PRC Company Group is principally engaged in the provision of online marketing solutions and advertising agency services in PRC.

Information reported to the directors of the PRC Company Group, being the chief operating decision maker, for the purposes of resource allocation and performance assessment. No other discrete financial information is provided other than the PRC Company Group's results and financial position as a whole. Accordingly, only entity-wide disclosures are presented.

An analysis of the PRC Company Group's revenue for the Relevant Periods is as follows:

	Period from 5 August 2019 (date of establishment) to 31 December 2019 <i>RMB'000</i>	Year ended 31 December 2020 <i>RMB'000</i>	Six months ended 30 June 2020 2021 <i>RMB'000</i> <i>(unaudited)</i>	
Disaggregation of revenue from contracts with customers				
Online marketing solutions	—	107,379	15,011	139,444
Advertising agency services	2	1,196	—	1,358
	<u>2</u>	<u>108,575</u>	<u>15,011</u>	<u>140,802</u>
Timing of revenue recognition				
At a point in time	<u>2</u>	<u>108,575</u>	<u>15,011</u>	<u>140,802</u>

Transaction price allocated to the remaining performance obligations for contracts with customers

The PRC Company Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue such that the PRC Company Group does not disclose information about revenue that the Target Group will be entitled to when it satisfies the remaining performance obligations under the contracts as all contract works have an original expected duration of one year or less.

7. (LOSS)/PROFIT FROM OPERATIONS

The PRC Company Group's (loss)/profit from operations for the Relevant Periods is arrived at after charging the following items:

	Period from 5 August 2019 (date of establishment) to 31 December 2019 <i>RMB'000</i>	Year ended 31 December 2020 <i>RMB'000</i>	Six months ended 30 June 2020 2021 <i>RMB'000</i> <i>RMB'000</i> <i>(unaudited)</i>	
Auditors' remunerations	—	—	—	—
Depreciation of plant and equipment (<i>Note 12</i>)	—	1	—	23
Depreciation of right-of-use asset (<i>Note 13</i>)	—	39	—	105
Staff costs (including directors' remunerations)				
— Salaries and other allowances	501	1,995	718	2,296
— Pension scheme contributions	28	13	—	214
Expenses in relating to short-term leases	—	13	—	180
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8. FINANCE COSTS

	Period from 5 August 2019 (date of establishment) to 31 December 2019 <i>RMB'000</i>	Year ended 31 December 2020 <i>RMB'000</i>	Six months ended 30 June 2020 2021 <i>RMB'000</i> <i>RMB'000</i> <i>(unaudited)</i>	
Interest on lease liability	—	4	—	7
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

(a) Directors' emoluments

Details for the emoluments paid or payable by the PRC Company Group to the directors of the PRC Company Group during the Relevant Periods are as follows:

	Fees <i>RMB'000</i>	Salaries and other allowances <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Period from 5 August 2019 (date of establishment) to 31 December 2019				
Ren Yiming (<i>Note</i>)	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Year ended 31 December 2020				
Pei Shikai (appointed on 10 November 2020)	—	18	—	18
Ren Yiming (<i>Note</i>) (resigned on 10 November 2020)	—	16	—	16
Shi Kan (appointed on 10 November 2020)	—	—	—	—
Yang Qing (appointed on 10 November 2020)	—	18	—	18
Yu Lu (appointed on 10 November 2020)	—	—	—	—
Zou Haobing (appointed on 10 November 2020)	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	—	52	—	52
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Six months ended 30 June 2021				
Pei Shikai	—	65	4	69
Shi Kan	—	—	—	—
Yang Qing	—	65	4	69
Yu Lu	—	—	—	—
Zou Haobing	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	—	130	8	138
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Six months ended 30 June 2020 (unaudited)				
Ren Yiming (<i>Note</i>)	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: Mr. Ren Yiming is also the chief executive officer of the Company since the date of establishment.

(b) Five highest paid individuals

No director was included in the five highest paid individuals of the PRC Company Group during each of the Relevant Periods, details of whose remuneration are set out in note 9(a) above. Details of the remuneration for each of the Relevant Periods of the remaining five highest paid employees who are neither a director nor chief executive of the PRC Company are as follows:

	Period from 5 August 2019 (date of establishment) to 31 December			
	Year ended 31 December		Six months ended 30 June	
	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other allowances	361	751	409	469
Pension scheme contributions	20	5	—	36
	<u>381</u>	<u>756</u>	<u>409</u>	<u>505</u>

The number of the highlight paid individuals whose emoluments fell within the following bands is as follows:

	Number of individuals			
	Period from 5 August 2019 (date of establishment) to 31 December		Six months ended 30 June	
	2019	2020	2020	2021
			<i>(unaudited)</i>	
Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Relevant Periods, no emoluments were paid by the PRC Company Group to the director, chief executive and five highest paid individuals as an inducement to join or upon joining the PRC Company Group or as compensation for loss of office. None of the director, chief executive and five highest paid individuals waived or agreed to waive any emoluments during the Relevant Periods.

10. INCOME TAX EXPENSES

	Period from 5 August 2019 (date of establishment) to 31 December 2019 RMB'000	Year ended 31 December 2020 RMB'000	Six months ended 30 June 2020 RMB'000 (unaudited)	2021 RMB'000
Current tax				
— PRC Enterprise Income Tax (“EIT”)	—	233	—	1,318

Pursuant to the EIT Law of the PRC and the respective regulations, the PRC Company Group are subject to EIT at a rate of 25% on the taxable income. According to Notice of the Preferential Policies of Enterprise Income Tax in the Two Special Economic Development Zones of Kashgar and Horgors in Xinjiang (財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知), promulgated by the Ministry of Finance of the PRC (中國財政部) and the State Administration of Taxation of the PRC (中國國家稅務總局) on November 29, 2011, from 2010 to 2020, the newly-established enterprises in Kashgar and Horgors within the Catalog of Encouraged Industries in Poverty Areas of Xinjiang for Preferential Tax Treatment (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄) shall be granted the preferential tax treatment of five-year EIT exemption since the first taxable year after becoming profitable. Yining Lingjiu Chuangxiang Marketing Planning Limited entitled to EIT exemption for the year ended 31 December 2020 and six months ended 30 June 2021.

The income tax expenses for the period/year can be reconciled to the (loss)/profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Period from 5 August 2019 (date of establishment) to 31 December 2019 RMB'000	Year ended 31 December 2020 RMB'000	Six months ended 30 June 2020 RMB'000 (unaudited)	2021 RMB'000
(Loss)/profit before taxation	(537)	3,029	(15)	7,442
Tax at the statutory tax rate	(134)	757	(4)	1,860
Tax effect of tax losses not recognised	134	—	25	1
Tax effect of utilisation of tax losses previously not recognised	—	(129)	(21)	—
Tax exemption	—	(395)	—	(543)
Tax charge for the period/year	—	233	—	1,318

At 31 December 2019, 31 December 2020 and 30 June 2021, the PRC Company Group had unused estimated tax losses of approximately RMB537,000, RMB19,000 and RMB21,000 available for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of these estimated tax losses due to the unpredictability of future profit streams. All of the PRC Company Group's unused estimated tax losses will expire within five years.

11. DIVIDENDS

No dividend was declared or paid by the PRC Company in respect of the Relevant Periods.

12. EQUIPMENT

	Computer equipment <i>RMB'000</i>
Cost	
At 5 August 2019 (date of establishment), 31 December 2019 and 1 January 2020	—
Additions	115
	<hr/>
At 31 December 2020 and 1 January 2021	115
Additions	54
	<hr/>
At 30 June 2021	169
	<hr/> <hr/>
Accumulated depreciation	
At 5 August 2019 (date of establishment), 31 December 2019 and 1 January 2020	—
Charge for the year	1
	<hr/>
At 31 December 2020 and 1 January 2021	1
Charge for the period	23
	<hr/>
At 30 June 2021	24
	<hr/> <hr/>
Carrying amounts	
At 30 June 2021	145
	<hr/> <hr/>
At 31 December 2020	114
	<hr/> <hr/>
At 31 December 2019	—
	<hr/> <hr/>

13. RIGHT-OF-USE ASSET

The carrying amounts of right-of-use asset and the movements during the Relevant Periods are as follows:

	Office premise <i>RMB'000</i>
At 5 August 2019 (date of establishment) and 31 December 2019	—
At 31 December 2020	392
At 30 June 2021	272

	Period from 5 August 2019 (date of establishment) to 31 December 2019 <i>RMB'000</i>	Year ended 31 December 2020 <i>RMB'000</i>	Six months ended 30 June 2020 <i>RMB'000</i> <i>(unaudited)</i>	
			2020 <i>RMB'000</i>	2021 <i>RMB'000</i>
Addition to right-of-use assets	—	431	—	—
Depreciation charge	—	39	—	105
Expenses relating to short-term leases	—	13	—	180
Total cashflow for leases	—	125	—	273

During the year ended 31 December 2020, the PRC Company Group leased an office for a fixed term of 2 years. In determining the lease term and assessing the length of the non-cancellable period, the PRC Company Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the six months ended 30 June 2021, lease contract for office premise was modified with revision of lease payment and other terms and conditions remain unchanged. The modification resulted in a decrease in right-of-use asset of RMB15,000 and a decrease in lease liability of RMB15,000.

14. TRADE RECEIVABLES

	As at 31 December		As at
	2019	2020	30 June
	RMB'000	RMB'000	2021
			RMB'000
Trade receivables from:			
Third party customers	—	52,512	37,551
Related companies	—	1,706	1,885
	<u>—</u>	<u>54,218</u>	<u>39,436</u>

The analysis of trade receivables was as follows:

	As at 31 December		As at
	2019	2020	30 June
	RMB'000	RMB'000	2021
			RMB'000
Trade receivables	—	54,218	39,436
Less: allowance for ECL	—	—	—
	<u>—</u>	<u>54,218</u>	<u>39,436</u>

The PRC Company Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with trade receivables. The PRC Company Group's service terms with its customers are mainly based on user acceptance. The PRC Company Group allows a average credit period of 90 days to its customers.

The following is an aged analysis of trade receivables presented based on date of rendering services at the end of the reporting periods:

	As at 31 December		As at
	2019	2020	30 June
	RMB'000	RMB'000	2021
			RMB'000
Within 90 days	—	25,845	28,211
91 — 180 days	—	28,373	3,806
Over 180 days	—	—	7,419
	<u>—</u>	<u>54,218</u>	<u>39,436</u>

Details of impairment assessment of trade receivables for the Relevant Periods are set out in Note 25.

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		As at
	2019	2020	30 June
	RMB'000	RMB'000	2021
Rental deposits	—	20	84
Trade deposits	—	11,216	13,779
Other deposits	—	2	302
Prepayments	—	87	115
Other tax recoverable	—	221	1,161
Others	2	48	84
	<u>2</u>	<u>11,594</u>	<u>15,525</u>

Details of impairment assessment of deposits and other receivables for the Relevant Periods are set out in Note 25.

16. TRADE PAYABLES

	As at 31 December		As at
	2019	2020	30 June
	RMB'000	RMB'000	2021
Trade payables to:			
Third party suppliers	—	15,341	3,039
Related parties	—	40,678	88,786
	<u>—</u>	<u>56,019</u>	<u>91,825</u>

The average credit period granted by suppliers is 90 days. An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the date of rendering services, is as follows:

	As at 31 December		As at
	2019	2020	30 June
	RMB'000	RMB'000	2021
Within 90 days	—	8,727	20,422
91 — 180 days	—	47,292	35,036
Over 180 days	—	—	36,367
	<u>—</u>	<u>56,019</u>	<u>91,825</u>

17. OTHER PAYABLES AND ACCRUALS

	As at 31 December		As at
	2019	2020	30 June
	RMB'000	RMB'000	2021
			RMB'000
Other tax payables	4	79	331
Accrued staff costs	26	370	329
Amount due to a former shareholder	—	19,416	—
Other	—	50	14
	<u>30</u>	<u>19,915</u>	<u>674</u>

18. CONTRACT LIABILITIES

	As at 31 December		As at
	2019	2020	30 June
	RMB'000	RMB'000	2021
			RMB'000
Amount prepaid by online marketing solutions customers	—	287	2,344
	<u>—</u>	<u>287</u>	<u>2,344</u>

Contract liabilities represent deposits prepaid by customer. The deposits are non-refundable.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities:

	RMB'000
Balances at 1 January 2020	—
Increase in contract liabilities excluding amounts recognised as revenue during the year	<u>287</u>
Balances at 31 December 2020 and 1 January 2021	287
Revenue recognised that was included in the contract liabilities at the beginning of the year	(287)
Increase in contract liabilities excluding amounts recognised as revenue during the period	<u>2,344</u>
Balances at 30 June 2021	<u>2,344</u>

19. AMOUNTS DUE FROM/(TO) A RELATED COMPANY/RELATED PARTIES OF THE PRC COMPANY GROUP

The amounts due from/(to) a related company/related parties of the PRC Company Group are non-trade nature, interest-free, unsecured and repayable on demand.

20. LEASE LIABILITY

The total future minimum lease payments under lease arrangements and their present values were as follows:

	As at 31 December 2020		As at 30 June 2021	
	Present value of lease liability RMB'000	Minimum lease payments RMB'000	Present value of lease liability RMB'000	Minimum lease payments RMB'000
Lease liability payable:				
— Within one year	213	225	222	229
— In the second year	110	112	—	—
	<u>323</u>	<u>337</u>	<u>222</u>	<u>229</u>
Less: total future interest expense	<u>—</u>	<u>(14)</u>	<u>—</u>	<u>(7)</u>
Present value of lease liability	<u><u>323</u></u>	<u><u>323</u></u>	<u><u>222</u></u>	<u><u>222</u></u>

The incremental borrowing rate applied to lease liability is 4.75% at 31 December 2020. During the six months ended 30 June 2021, lease contract for office premise was modified and incremental borrowing rate applied to lease liability is 5.96% at modification date. Details of lease modification are set out in Note 13.

21. PAID-IN CAPITAL

RMB'000

Paid-in capital at 5 August 2019 (date of establishment),
31 December 2019, 1 January 2020, 31 December 2020,
1 January 2021, 30 June 2021

—

22. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE PRC COMPANY

(a) Statements of financial position of the PRC Company

	As at 31 December		As at
	2019 RMB'000	2020 RMB'000	30 June 2021 RMB'000
Non-current assets			
Equipment	<u>—</u>	<u>114</u>	<u>142</u>
Current assets			
Trade receivables	<u>—</u>	<u>50,712</u>	<u>36,294</u>
Deposits, prepayments and other receivables	<u>—</u>	<u>11,541</u>	<u>15,309</u>
Amounts due from subsidiaries	<u>—</u>	<u>6,665</u>	<u>386</u>
Amount due from a related company	<u>—</u>	<u>—</u>	<u>28</u>
Bank balances	<u>41</u>	<u>8,057</u>	<u>47,740</u>
	<u>41</u>	<u>76,975</u>	<u>99,757</u>

APPENDIX II
**FINANCIAL INFORMATION OF
THE PRC COMPANY GROUP**

	As at 31 December		As at
	2019	2020	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade payables	—	56,018	90,900
Other payables and accruals	26	19,618	307
Contract liabilities	—	287	1,528
Amounts due to related parties	512	—	—
Amounts due to subsidiaries	—	234	1,643
Tax payables	—	233	867
	<u>538</u>	<u>76,390</u>	<u>95,245</u>
Net current (liabilities)/assets	<u>(497)</u>	<u>585</u>	<u>4,512</u>
Total assets less current liabilities	<u>(497)</u>	<u>699</u>	<u>4,654</u>
Net (liabilities)/assets	<u>(497)</u>	<u>699</u>	<u>4,654</u>
Capital and reserve			
Paid-in capital	—	—	—
Reserve	<u>(497)</u>	<u>699</u>	<u>4,654</u>
Total (deficit)/equity	<u>(497)</u>	<u>699</u>	<u>4,654</u>
(b) Reserves of the PRC Company			
	Statutory	(Accumulated	
	reserve	losses)/	
	<i>RMB'000</i>	retained	Total
	<i>(Note)</i>	profits	<i>RMB'000</i>
At 5 August 2019 (date of establishment)	—	—	—
Loss and total comprehensive loss for the period	<u>—</u>	<u>(497)</u>	<u>(497)</u>
At 31 December 2019 and 1 January 2020	—	(497)	(497)
Profit and total comprehensive income for the year	—	1,196	1,196
Transfer from/(to) reserve	<u>70</u>	<u>(70)</u>	<u>—</u>
At 31 December 2020 and 1 January 2021	70	629	699
Profit and total comprehensive income for the period	—	3,955	3,955
Transfer from/(to) reserve	<u>396</u>	<u>(396)</u>	<u>—</u>
At 30 June 2021	<u>466</u>	<u>4,188</u>	<u>4,654</u>

	Statutory reserve RMB'000 (Note)	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 1 January 2020	—	(497)	(497)
Profit and total comprehensive income for the period (unaudited)	—	85	85
At 30 June 2020 (unaudited)	—	(412)	(412)

Note:

Statutory reserve

In accordance with the relevant laws and regulation provided in the PRC, the PRC Company is required to appropriate its net profit, as determined in accordance with the generally accepted accounting principles of PRC. This reserve is not distributable to its shareholders.

PRC Company is required to appropriate 10% of its profit for the year to the statutory reserve until the statutory reserve balance of that PRC entity equals 50% of the registered capital. The appropriation to statutory reserve must be made before the distribution of dividends to its shareholders.

23. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these accountants' report, the PRC Company Group had entered into the following material related party transactions which, in the opinion of the directors of the PRC Company Group, were carried out in the operations of the PRC Company Group's business:

(i) Key management personnel compensation

The remuneration of directors and other members of key management during the Relevant Periods was as follows:

	Period from 5 August 2019 (date of establishment) to 31 December 2019 RMB'000	Year ended 31 December 2020 RMB'000	Six months ended 30 June 2020 2021 RMB'000 RMB'000 (unaudited)	
Salaries and other allowances	241	527	266	292
Pension scheme contributions	12	3	—	21
	253	530	266	313

(ii) Transaction with related parties

During the Relevant Periods, the PRC Company Group entered into the following transactions with related parties:

	Period from 5 August 2019 (date of establishment) to 31 December 2019 <i>RMB'000</i>	Year ended 31 December 2020 <i>RMB'000</i>	Six months ended 30 June 2021 <i>RMB'000</i> <i>(unaudited)</i>	
Services provided to related companies	—	19,804	—	465
Services provided by related companies	—	17,020	1,229	12,965
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(iii) Details of the balances with related parties at the end of the Relevant Periods are set out in Note 19.

24. CAPITAL RISK MANAGEMENT

The PRC Company Group's capital management objectives are to ensure the PRC Company Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The PRC Company Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company, prevailing and projected capital expenditures. The PRC Company Group's overall strategy remains unchanged during the Relevant Periods.

The PRC Company Group is not subject to externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		As at 30 June
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets			
Amortised cost	45	67,192	89,029
	<u> </u>	<u> </u>	<u> </u>
Financial liabilities			
Amortised cost	578	76,364	92,576
	<u> </u>	<u> </u>	<u> </u>

(b) Financial risk management objectives and policies

The PRC Company Group's major financial instruments include trade receivables, deposits and other receivables, amount due from a related company, bank balances, trade payables, other payables and accruals, amounts due to related parties and lease liability. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The PRC Company Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the PRC Company Group's financial performance.

Market risk

At the end of the reporting year, the PRC Company Group had no significant exposure to market risk.

(i) Foreign currency risk

The PRC Company Group has no significant exposure to foreign currency risk as all of the PRC Company Group's transactions are denominated in RMB.

(ii) Interest rate risk

At the end of the Relevant Periods, the PRC Company Group did not have significant financial assets and liabilities which are at floating rate of interests. The PRC Company Group does not have significant exposure to interest rate risk.

Credit risk and impairment assessment

At the end of the Relevant Periods, the PRC Company Group's maximum exposure to credit risk which will cause a financial loss to the PRC Company Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of trade receivables, deposits and other receivables and bank balances as stated in the consolidated statements of financial position. As at 31 December 2020 and 30 June 2021, the PRC Company Group has concentration of credit risk on trade receivables as 95% and 93% of the total trade receivables was due from top five largest customers and 53% and 34% was due from the largest customer respectively.

In order to minimise the credit risk, the management of the PRC Company Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to all clients. This ensure that follow-up action is taken to recover overdue debts. In addition, the PRC Company Group reviews the recoverable amount of each individual trade receivables at the end of the Relevant Periods to ensure that adequate allowances for ECL are made for irrecoverable amounts. In this regard, the directors consider that the PRC Company Group's credit risk is significantly reduced. Other than concentration of credit risk on trade receivables, the PRC Company Group does not have any other significant concentration of credit risk.

Trade receivables

The management applies simplified approach for ECL assessment of trade receivables. Accordingly, the management assesses lifetime ECL of trade receivables with significant balances individually and remaining trade receivables with shared credit risk characteristics collectively taking into consideration of historical credit loss experience and forward-looking information. The management estimated the average loss rates with reference to historical observed settlement record, financial status of customers and adjusted with forward-looking factor. In view of credibility of customers and track record with the PRC Company Group, the estimated average loss rates were insignificant. Based on estimated average loss rates, the management concluded that the lifetime ECL on trade receivables are insignificant and hence no allowance for ECL on trade receivables was recognised.

Deposits and other receivables

Deposits and other receivables mainly consist of rental deposit paid to landlord and security deposit placed in the account of online supplier. The management assesses the recoverability of the deposits and other receivables individually based on the financial status of the counterparties and forward-looking information. The management believed that there was no significant increase in credit risk of these deposits and other receivables since initial recognition and the Company provided impairment based on 12m ECL. During the Relevant Periods, the PRC Company Group assessed that the ECL for deposits and other receivables is insignificant and thus no loss allowance for ECL is recognised.

Amount due from a related company

The management continuously monitors the credit quality and financial positions of related company and makes periodic assessment on allowance for ECL of amount due from a related company. The management believed that there was no significant increase in credit risk of the related company since initial recognition and the Company provided impairment based on 12m ECL. During the Relevant Periods, the PRC Company Group assessed that the ECL for amount due from a related company is insignificant and thus no loss allowance for ECL is recognised.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings. The Company assessed 12m ECL for bank balances and is considered it to be insignificant and therefore no loss allowance was recognised.

Liquidity risk

The PRC Company Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

APPENDIX II

FINANCIAL INFORMATION OF THE PRC COMPANY GROUP

The following tables detail the PRC Company Group's remaining contractual maturity at the end of each reporting period of the PRC Company Group's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the PRC Company Group can be required to pay:

As at 31 December 2019						
	Weighted average interest rate %	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
Non-derivative financial liabilities						
— Other payables and accruals	—	26	—	—	26	26
— Amounts due to related parties	—	552	—	—	552	552
		<u>578</u>	<u>—</u>	<u>—</u>	<u>578</u>	<u>578</u>

As at 31 December 2020						
	Weighted average interest rate %	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
Non-derivative financial liabilities						
— Trade payables	—	56,019	—	—	56,019	56,019
— Other payables and accruals	—	19,836	—	—	19,836	19,836
— Amounts due to related parties	—	186	—	—	186	186
— Lease liability	4.75	225	112	—	337	323
		<u>76,266</u>	<u>112</u>	<u>—</u>	<u>76,378</u>	<u>76,364</u>

As at 30 June 2021						
	Weighted average interest rate %	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
Non-derivative financial liabilities						
— Trade payables	—	91,825	—	—	91,825	91,825
— Other payables and accruals	—	343	—	—	343	343
— Amounts due to related parties	—	186	—	—	186	186
— Lease liability	5.96	229	—	—	229	222
		<u>92,583</u>	<u>—</u>	<u>—</u>	<u>92,583</u>	<u>92,576</u>

Fair value measurements of financial instruments

The carrying amount of the PRC Company Group's financial assets and liabilities at amortised cost are not materially different from their fair values.

26. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, the PRC Company Group entered into a new lease agreement for office. The new lease agreement is entered into for a fixed term of 2 years. On the lease commencement, the PRC Company Group recognised RMB431,000 of right-of-use asset and RMB431,000 of lease liability.

27. RECONCILIATION OF LIABILITY ARISING FROM FINANCING ACTIVITY

The table below details changes in the PRC Company Group's liability from financing activity. Liability arising from financing activity are liability for which cash flows were, or future cash flows will be, classified in the PRC Company Group's consolidated statement of cash flow as cash flows from financing activity.

	Lease liability <i>RMB '000</i>
At 5 August 2019 (date of establishment), 31 December 2019 and 1 January 2020	—
Cash flows:	
— Repayment of lease liability	(112)
Non-cash changes:	
— New lease	431
— Finance costs (<i>Note 8</i>)	4
	<hr/>
At 31 December 2020 and 1 January 2021	323
Cash flows:	
— Repayment of lease liability	(93)
Non-cash changes:	
— Finance costs (<i>Note 8</i>)	7
— Lease modification (<i>Note 13</i>)	(15)
	<hr/>
At 30 June 2021	<u>222</u>

28. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the PRC Company Group has been prepared in respect of any period subsequent to 30 June 2021.

Set out below is the management discussion and analysis of the PRC Company Group based on the financial information of the PRC Company Group as set out in Appendix II.

BUSINESS REVIEW

The Target Company is an investment holding company incorporated in BVI with limited liability, and was directly wholly-owned by the Vendor as at the Latest Practicable Date.

The Target Reorganisation has been completed. Immediately upon completion of the Target Reorganisation, the Target Company should have indirect control over the PRC Company and enjoy all actual or potential economic interests and benefits of the PRC Company, and the PRC Company is accounted as subsidiary of the Target Company and the financial results of the PRC Company Group should be consolidated into the accounts of the Target Company by virtue of the arrangement under the VIE Contracts.

The PRC Company was established in the PRC with limited liability on 5 August 2019. Each of the subsidiaries of the PRC Company is a company established in the PRC with limited liability. The PRC Company Group is principally engaged in provision of online marketing solutions (including production of short video advertisements) and advertising agency services.

RESULTS OF OPERATIONS**Revenue**

The PRC Company Group generated revenue through two segments, being (i) provision of online marketing solutions and (ii) advertising agency services.

For the period from 5 August 2019 (date of establishment) to 31 December 2019, the PRC Company Group recorded revenue of RMB2,000, which was generated solely from advertising agency services.

The PRC Company Group recorded a revenue of approximately RMB108.58 million for the year ended 31 December 2020, as compared to approximately RMB2,000 for the period from 5 August 2019 (date of establishment) to 31 December 2019. The increase in revenue was mainly attributable to (i) that the PRC Company was incorporated in 2019 and the revenue generated in 2019 was minimal; and (ii) the revenue generated from provision of online marketing solutions business for the year ended 31 December 2020.

For the six months ended 30 June 2021, the revenue of the PRC Company Group was approximately RMB140.80 million which represents approximately 9.38 times as compared to the revenue of approximately RMB15.01 million for the six months ended 30 June 2020. The increase in revenue was mainly due to the organic growth of the existing customers of the PRC Company Group, with minimal revenue contribution from a few trial sales contracts referred by Mr. Ma as the new potential customers introduced by Mr. Ma are still at the preparation or negotiation stage.

Gross profit

For the period from 5 August 2019 (date of establishment) to 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021, (i) the gross profit of the PRC Company Group was approximately RMB2,000, RMB5.12 million and RMB7.79 million respectively; and (ii) the gross profit margin of the PRC Company Group was 100.00%, approximately 4.72% and 5.53% respectively. The revenue recorded for the period from 5 August 2019 (date of establishment) to 31 December 2019 was solely from advertising agency services, which was recorded in net basis and thus the gross profit margin was 100.00%. The gross profit margin decreased for the year ended 31 December 2020 because the revenue from provision of online marketing solutions, which was commenced in 2020, was recorded in gross basis and thus had a relative low gross profit margin. The gross profit margin remained relatively stable for the year ended 31 December 2020 and the six months ended 30 June 2021.

Net profit after tax

For the period from 5 August 2019 (date of establishment) to 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021, the PRC Company Group recorded the net loss after tax of approximately RMB0.54 million, net profit after tax of approximately RMB2.80 million and RMB6.12 million respectively. The enhancement in performance was mainly attributable to the rise in revenue for the year ended 31 December 2020 and six months ended 30 June 2021.

Liquidity and financial resources

As at 31 December 2019, 31 December 2020 and 30 June 2021, the PRC Company Group had net current liabilities of approximately RMB0.54 million, net current assets of approximately RMB1.86 million and RMB7.97 million respectively.

The PRC Company Group financed working capital principally through cash generated from operations. As at 31 December 2019, 31 December 2020 and 30 June 2021, bank balances of the PRC Company Group amounted to approximately RMB43,000, RMB12.90 million and RMB49.10 million respectively.

As at 31 December 2019, 31 December 2020 and 30 June 2021, the PRC Company Group had no bank borrowings.

GEARING RATIO

The gearing ratios of the PRC Company Group as at 31 December 2019, 31 December 2020 and 30 June 2021, which represents the ratio of interest bearing borrowings to the total equity, were nil as the PRC Company Group had no bank borrowings.

CHARGES ON ASSETS

As at 31 December 2019, 31 December 2020 and 30 June 2021, no assets of the PRC Company Group were pledged.

FOREIGN EXCHANGE EXPOSURE

As the operations of the PRC Company Group were based in the PRC, the principal assets and liabilities of the PRC Company Group were denominated in RMB. As such, the PRC Company Group did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

CAPITAL COMMITMENTS

As at 31 December 2019, 31 December 2020 and 30 June 2021, the PRC Company Group had no capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2019, 31 December 2020 and 30 June 2021, the PRC Company Group had no contingent liabilities.

SIGNIFICANT INVESTMENTS

As at 31 December 2019, 31 December 2020 and 30 June 2021, the PRC Company Group did not have any material equity investments.

MATERIAL ACQUISITIONS OR DISPOSITIONS

During the period from 5 August 2019 (date of establishment) to 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021, the PRC Company Group did not carry out any material acquisitions or dispositions of subsidiaries and associated companies.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, 31 December 2020 and 30 June 2021, the PRC Company Group had a total of 8 employees, 58 employees and 52 employees respectively.

For the period from 5 August 2019 (date of establishment) to 31 December 2019, the year ended 31 December 2020 and the six months ended 30 June 2021, the remuneration costs of employees of the PRC Company Group amounted to approximately RMB0.53 million, RMB2.01 million and RMB2.51 million respectively, which comprised salaries and other allowances and pension scheme contributions.

The remuneration was determined with reference to general market practice, employees' duties and responsibilities, and the PRC Company Group's financial performance.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at the Latest Practicable Date, the PRC Company Group did not have any future plans for material investments and capital assets.

FUTURE PROSPECTS

The PRC Company Group is principally engaged in provision of online marketing solutions (including production of short video advertisements) business and advertising agency services business and is developing the Online Short Video Transaction Platform. After the establishment of its online platform, the PRC Company Group shall tape into online platform operation business and provide more comprehensive online marketing solutions to customers, which mainly offers one-stop short video services including short video task release, task order acceptance, cross-media delivery, effect optimisation analysis, tariff settlement and other functions. It is expected that the revenue source of the PRC Company Group is expected to be further broadened after establishment of the Online Short Video Transaction Platform. Please refer to the paragraph headed "Reasons for the VIE Contracts" in the letter from the Board for further details of the Online Short Video Transaction Platform.

COMPANY'S PLAN ON THE PRC COMPANY GROUP

The Group is a financial conglomerate which invests in different area of businesses over the past ten years. With the aim to diversifying the existing business of the Group and broadening the income streams of the Group, the Board has been actively seeking business opportunities in addition to the current business of the Group. Although the business of the PRC Company Group is unrelated to that of the existing business of the Group, having considered (i) the background and experiences of the senior management of the PRC Company Group; (ii) the joining of Mr. Ma as strategic investor who provide additional potential business opportunities to the PRC Company Group; (iii) the growing financial performance of the PRC Company Group; and (iv) the market outlook of the PRC Company Group is promising that the size of mobile netizens and users for short video is large and has a continuous upward trend in the PRC, details of the above factors are disclosed in the paragraph headed “REASONS FOR AND BENEFITS OF THE ACQUISITION” in the letter from the Board, the Board considers the Acquisition is a favourable opportunity for the Group to diversify its existing business and broaden its income streams.

Currently, the Board has no relevant experience or expertise in the operation of the PRC Company Group's business. However, given the PRC Company Group has its own professional team for the operation of its marketing and advertising agency businesses, the Target Group shall be able to carry out its business on its own without any additional support in operation from the Group. To monitor the business of the Target Group after Completion, the Group will oversee the operations and review the business performance of the PRC Company Group regularly. In exercising the management controls and monitoring the business of the PRC Company, the Group shall appoint an executive Director or senior management (the “**Representative**”) to the board of the PRC Company. The main responsibilities of the Representative shall include (i) conducting monthly reviews on the operations of the PRC Company and submitting to the Board; (ii) checking the authenticity of the monthly management accounts of the PRC Company; (iii) actively involving in various aspects of the daily managerial and operational activities of the PRC Company; (iv) reporting any major events of the PRC Company to any executive Director or the chief financial officer of the Company, who must in turn report to the Board; and (v) conducting regular site visits to the PRC Company and personnel interviews on a quarterly basis and submit reports to the Board. For overseeing the financial performance of the PRC Company Group, the Company will collect and review monthly management accounts, bank statements of every bank account, cash balances and major operational data of the PRC Company and conduct regular on-site internal audits.

It is the intention of the Group to follow the PRC Company Group's plan to continue the development of its existing business regarding provision of online marketing solutions (including production of short video advertisements) and advertising agency services by recruiting more staff members to expand the operation team and at the same time develop the Online Short Video Transaction Platform as discussed in the paragraph headed "FUTURE PROSPECTS" above. Other than that, the Company does not have business plan on the Target Group.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
ENLARGED GROUP**Basis of preparation of the unaudited pro forma financial information of the
Enlarged Group**

The following unaudited pro forma financial information of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”), being Eternity Investment Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”), together with Proactivity Plus Co., Ltd (the “**Target Company**”) and its subsidiaries (collectively the “**Target Group**”) upon completion of reorganisation as detailed in the paragraph headed “The Target Reorganisation” in the section headed “Letter from the Board” (the “**Target Reorganisation**”), comprising the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2021, has been prepared by the directors of the Company in accordance with paragraphs 4.29 and 14.67(6)(a)(ii) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the purpose of illustrating the effect of the acquisition of the entire issued share capital in the Target Company (the “**Acquisition**”) by RICHE (BVI) LIMITED (the “**Purchaser**”), an wholly-owned subsidiary of the Company, to provide information about how the Acquisition might have affected the Group’s financial position as at 30 June 2021, as if the Acquisition had taken place at 30 June 2021.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies materially consistent with those of the Group and based on the unaudited consolidated statement of financial position of the Group at 30 June 2021 as extracted from the Group’s unaudited consolidated financial statements for the six months ended 30 June 2021 as set out in the published interim report of the Group for the six months ended 30 June 2021 as mentioned in the “Financial Information of the Group” in Appendix I to this circular after making certain pro forma adjustments as described below. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the Acquisition concerned and not relating to future events or decisions; and (ii) factually supportable, is summarised in the notes below.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Enlarged Group had the Acquisition been completed at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in its published interim report for the six months ended 30 June 2021, the financial information of the Beijing Lingjiu Chuangxiang Technology Limited (the “**PRC Company**”) and its subsidiaries (collectively the “**PRC Company Group**”) set out in Appendix II to this circular, and other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information of the Enlarged Group does not take into account any trading or other transactions subsequent to 30 June 2021.

Unaudited pro forma consolidated statements of assets and liabilities of the Enlarged Group

	The Group as at 30 June 2021	The Target Group as at 30 June 2021	The Target Group as at 30 June 2021	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	HK\$'000	RMB'000	HK\$'000 equivalent	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	
Non-current assets							
Property, plant and equipment	698,203	145	174	—	—	—	698,377
Right-of-use assets	242,796	272	326	—	—	—	243,122
Investment properties	165,000	—	—	—	—	—	165,000
Intangible assets	861,423	—	—	—	—	—	861,423
Goodwill	293,170	—	—	—	606,697	—	899,867
Interests in associates	82,535	—	—	—	—	—	82,535
Investments in subsidiaries	—	—	—	616,757	(616,757)	—	—
Deferred tax assets	68,299	—	—	—	—	—	68,299
Prepayments and other receivables	23,934	—	—	—	—	—	23,934
Loan receivables	62,273	—	—	—	—	—	62,273
	<u>2,497,633</u>	<u>417</u>	<u>500</u>	<u>616,757</u>	<u>(10,060)</u>	<u>—</u>	<u>3,104,830</u>
Current assets							
Inventories	35,015	—	—	—	—	—	35,015
Loan receivables	738,126	—	—	—	—	—	738,126
Trade receivables	29,474	39,436	47,323	—	—	—	76,797
Deposits, prepayments and other receivables	131,744	15,525	18,630	—	—	—	150,374
Amount due from a related company	—	28	34	—	—	—	34
Financial assets at fair value through profit or loss	256,961	—	—	—	—	—	256,961
Cash and cash equivalents	254,978	49,095	58,914	—	—	—	313,892
	<u>1,446,298</u>	<u>104,084</u>	<u>124,901</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,571,199</u>

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 30 June 2021	The Target Group as at 30 June 2021	The Target Group as at 30 June 2021	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	HK\$'000	RMB'000	HK\$'000 equivalent	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	
Current liabilities							
Trade payables	11,891	91,825	110,190	—	—	—	122,081
Deposits received, accruals and other payables	105,290	674	809	—	—	1,826	107,925
Receipts in advance	99,663	—	—	—	—	—	99,663
Contract liabilities	—	2,344	2,813	—	—	—	2,813
Tax payables	83,667	867	1,040	—	—	—	84,707
Bank borrowings	162,706	—	—	—	—	—	162,706
Other borrowings	252,890	—	—	—	—	—	252,890
Lease liabilities	3,047	222	266	—	—	—	3,313
Secured notes	225,000	—	—	—	—	—	225,000
Contingent consideration payables	—	—	—	106,641	—	—	106,641
Amounts due to related parties	—	186	223	—	—	—	223
Amount due to an associate	1,966	—	—	—	—	—	1,966
	<u>946,120</u>	<u>96,118</u>	<u>115,341</u>	<u>106,641</u>	<u>—</u>	<u>1,826</u>	<u>1,169,928</u>
Net current assets	<u>500,178</u>	<u>7,966</u>	<u>9,560</u>	<u>(106,641)</u>	<u>—</u>	<u>(1,826)</u>	<u>401,271</u>
Total assets less current liabilities	<u>2,997,811</u>	<u>8,383</u>	<u>10,060</u>	<u>510,116</u>	<u>(10,060)</u>	<u>(1,826)</u>	<u>3,506,101</u>
Non-current liabilities							
Deposits received and other payables	57,583	—	—	—	—	—	57,583
Lease liabilities	284,860	—	—	—	—	—	284,860
Contingent consideration payables	—	—	—	481,116	—	—	481,116
Deferred tax liabilities	242,678	—	—	—	—	—	242,678
	<u>585,121</u>	<u>—</u>	<u>—</u>	<u>481,116</u>	<u>—</u>	<u>—</u>	<u>1,066,237</u>
Net assets/(liabilities)	<u>2,412,690</u>	<u>8,383</u>	<u>10,060</u>	<u>29,000</u>	<u>(10,060)</u>	<u>(1,826)</u>	<u>2,439,864</u>

Notes:

- (1) The assets and liabilities of the Group as at 30 June 2021 are extracted from the unaudited consolidated statement of financial position of the Group at 30 June 2021 set out in the published interim report of the Company for the six months ended 30 June 2021.
- (2) The assets and liabilities of the Target Group as at 30 June 2021 are referenced to the assets and liabilities of the PRC Company Group as at 30 June 2021 which are extracted from the accountants' report set out in Appendix II to this circular, and have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, using accounting policies that are consistent with the accounting policies of the Group.
- (3) The figures are translated into Hong Kong dollars ("HK\$") at the exchange rate of Renminbi ("RMB") 1 to HK\$1.2 prevailing at the close of business on 30 June 2021. No representation is made that RMB amounts have been, could have been or could be converted to HK\$, or vice versa, at that rate or at any other rates or at all.

- (4) On 4 May 2021, the Purchaser entered into the sale and purchase agreement (the “**Agreement**”) with TangD Co. Ltd (the “**Vendor**”). Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital in the Target Company for a consideration of not more than HK\$800,000,000, which shall be satisfied by (i) allotment and issue of 100,000,000 consideration shares at the issue price of HK\$0.25 per consideration share upon completion of the Acquisition (the “**First Consideration Shares**”); (ii) subject to the fulfillment of the First Guaranteed Profit (as defined below), HK\$135,000,000 shall be settled by issue of promissory note with the principal amount of HK\$135,000,000 (the “**First Promissory Note**”) to the Vendor; and (iii) subject to the fulfillment of the First Guaranteed Profit and the extent of the fulfillment of the Second Guaranteed Profit (as defined below), the remaining of not exceeding HK\$640,000,000 shall be settled by (a) not more than HK\$120,000,000 in cash; (b) issue of promissory note with the principal amount of not more than HK\$307,500,000 (the “**Second Promissory Note**”) to the Vendor; and (c) allotment and issue of not more than 850,000,000 consideration shares at the issue price of HK\$0.25 per consideration share (the “**Second Consideration Shares**”).

Pursuant to the Agreement, the Vendor has irrevocably warranted and guaranteed to the Purchaser that:

- (i) the audited consolidated net profit after tax (excluding extraordinary items) of the Target Group calculated in accordance with the HKFRSs as shown in the audited consolidated accounts of the Target Group for the period from 1 July 2021 to 31 December 2021 (the “**First Guaranteed Period**”) shall not be less than RMB25,000,000 (the “**First Guaranteed Profit**”); and
- (ii) the audited consolidated net profit after tax (excluding extraordinary items) of the Target Group calculated in accordance with the HKFRSs as shown in the audited consolidated accounts of the Target Group for the period from 1 January 2022 to 31 December 2022 (the “**Second Guaranteed Period**”) shall not be less than RMB100,000,000 (the “**Second Guaranteed Profit**”).

In the event that the actual audited consolidated net profit after tax (excluding extraordinary items) of the Target Group for the First Guaranteed Period (the “**First Actual Profit**”) is less than the First Guaranteed Profit, the First Promissory Note and the third payment of the consideration of not more than HK\$640,000,000 (including the cash payment of HK\$120,000,000, the Second Promissory Note and the Second Consideration Shares) shall not be paid.

Subject to the fulfillment of the First Guaranteed Profit, in the event that the actual audited consolidated net profit after tax (excluding extraordinary items) of the Target Group for the Second Guaranteed Period (the “**Second Actual Profit**”), is less than the Second Guaranteed Profit, the remaining adjusted consideration to the Vendor shall be paid by issuing cashier’s order or cheque, the Second Promissory Note and allotment and issue of the Second Consideration Shares according to the following formula:

The amount of cash consideration payable by the Purchaser

$$= \text{HK\$}120,000,000 \times P$$

The principal amount of the Second Promissory Note to be issued by the Company

$$= \text{HK\$}307,500,000 \times P$$

The number of the Second Consideration Shares to be allotted and issued by the Company at the Issue Price of HK\$0.250 per Second Consideration Share

= 850,000,000 Second Consideration Shares x P

P shall be calculated based on the following scale:

Amount of the Second Actual Profit	P
Is less than RMB25,000,000	0%
Not less than RMB25,000,000 but less than RMB50,000,000	25%
Not less than RMB50,000,000 but less than RMB75,000,000	50%
Not less than RMB75,000,000 but less than RMB100,000,000	75%

The Unaudited Pro Forma Financial Information has been prepared as if completion of the Acquisition had taken place on 30 June 2021. The consideration payable by the Group for the Acquisition is as follows:

	Notes	HK\$'000
Consideration payable by the Group:		
— 100,000,000 shares of the Company to be issued	(a)	29,000
— Contingent consideration payables, at fair value	(b)	<u>587,757</u>
Fair value of consideration transferred		<u><u>616,757</u></u>

Note:

- (a) The fair value of 100,000,000 shares of the Company to be issued upon completion of the Acquisition is estimated by reference to the closing share price of the Company at 30 June 2021 of HK\$0.29 per share.
- (b) The fair value of contingent consideration payable was valued by APAC Asset Valuation and Consulting Limited (“APAC”), an independent valuer, as if the Acquisition had taken place on 30 June 2021. Upon completion of the Acquisition, the fair value of contingent consideration payable will be re-assessed and may be significantly different from the estimated amount as presented above.
- (5) Upon completion of the Acquisition, entire issued share capital in the Target Company will be held by the Purchaser. The fair value of identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Company under the acquisition method of accounting in accordance with HKFRS 3 (Revised) “Business Combinations” issued by HKICPA.

The goodwill arising from the Acquisition is calculated as follows:

	Notes	HK\$'000
Fair value of consideration transferred	(a)	616,757
Fair value of net identifiable assets of the Target Group	(b)	<u>(10,060)</u>
Goodwill arising from the Acquisition	(c)	<u><u>606,697</u></u>

- (a) Details of the total consideration are set out in Note 4.
- (b) For the purpose of the Unaudited Pro Forma Financial Information, the fair value of the net identifiable assets of the Target Group approximates their carrying values as at 30 June 2021 which are referenced to valuation prepared by APAC. The fair value of the net identifiable assets of the Target Group being acquired is subject to changes upon completion of the Acquisition because the fair value being acquired shall be assessed at the date of the actual completion of the Acquisition.
- (c) For the purpose of the Unaudited Pro Forma Financial Information, the goodwill of HK\$606,697,000 arising from the Acquisition, which represents the amount by which the fair value of consideration transferred exceeds the fair value of the identifiable assets and liabilities of the Target Group to be acquired, as if the Acquisition has been completed on 30 June 2021. The amount of goodwill is subject to change based on the fair value of the consideration transferred and when the fair value of assets and liabilities of the Target Group is finalised on date of actual completion of the Acquisition.

In the event that the First Guaranteed Profit is not achieved, the consideration transferred would be limited to fair value of First Consideration Shares of HK\$29,000,000 and the resulting goodwill is calculated as follows:

	<i>HK\$ '000</i>
Fair value of First Consideration Shares	29,000
Fair value of net identifiable assets of the Target Group	<u>(10,060)</u>
	<u>18,940</u>

According to the Group's accounting policy, after initial recognition, the goodwill will be measured at cost less any accumulated impairment losses. The goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, the goodwill is allocated to the Group's cash generating units that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Further, impairment is determined by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than the carrying amount of the units, an impairment loss will be recognised by reducing the carrying amount of any goodwill allocated to the units at first.

The Directors confirmed that they will adopt consistent accounting policies and principal assumptions to assess the impairment of goodwill of the Enlarged Group in the financial statements in the future.

- (6) This adjustment represents the estimated transaction cost of approximately HK\$1,826,000 directly attributable to the Acquisition.
- (7) Save as aforesaid, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2021.

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE GROUP**

The following is the text of the independent reporting accountants' assurance report received from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Enlarged Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.



國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F Gloucester
Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT
ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL
INFORMATION****TO THE DIRECTORS OF ETERNITY INVESTMENT LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Eternity Investment Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) prepared by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statements of assets and liabilities as at 30 June 2021 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages IV-1 to IV-6 of the Company's circular dated 25 November 2021 (the “**Circular**”) in connection with the acquisition of entire equity interest of Proactivity Plus Co., Ltd (the “**Acquisition**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-6 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 June 2021 as if the Acquisition had taken place as at 30 June 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited consolidated financial statements for the six months ended 30 June 2021.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "*Code of Ethics for Professional Accountants*" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "*Quality Control for Firms that Perform Audits and Reviews of Financial Statement, and Other Assurance and Related Services Engagement*" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*” issued by the HKICPA. This standard requires that the reporting 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 the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hon Koon Fai, Alex

Practising Certificate Number: P05029

Hong Kong, 25 November 2021

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date and (ii) immediately following the allotment and issue of the maximum number of the Consideration Shares is as follows:

(i) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>100,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>3,819,606,486</u>	Shares	<u>38,196,064.86</u>

(ii) Immediately following the allotment and issue of the maximum number of the Consideration Shares

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>100,000,000.00</u>
<i>Issued and fully paid:</i>		
3,819,606,486	Shares	38,196,064.86
950,000,000	Consideration Shares to be allotted and issued pursuant to the Sale and Purchase Agreement	9,500,000.00
<u>4,769,606,486</u>	Total	<u>47,696,064.86</u>

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at the Latest Practicable Date, no Directors or chief executive of the Company had or was deemed to have interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Exchange:

Long positions

a. Shares

Name of Director	Notes	Number of Shares held and capacity			Approximate percentage of the issued share capital of the Company
		Beneficial owner	Held by controlled corporations	Total	
Mr. Lei	1 and 2	408,740,000	583,832,803	992,572,803	25.99%
Mr. Cheung Kwok Wai Elton	1 and 2	—	583,832,803	583,832,803	15.29%
Mr. Chan Kin Wah Billy	—	6,319,500	—	6,319,500	0.17%

Note:

1. Twin Success beneficially owns 583,832,803 Shares. Twin Success is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited. Silver Pacific International Limited is wholly owned by Mr. Lei. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai Elton and as to 50% by Mr. Guan Jian.
2. On 5 June 2018, Twin Success pledged its 583,832,803 Shares in favour of Kingston Finance Limited as security for a loan facility.

b. Share options

Name of Director	Capacity	Number of share options held	Number of underlying Shares
Mr. Lei	Beneficial owner	3,800,000	3,800,000
Mr. Cheung Kwok Wai Elton	Beneficial owner	3,800,000	3,800,000
Mr. Chan Kin Wah Billy	Beneficial owner	3,800,000	3,800,000
Mr. Cheung Kwok Fan	Beneficial owner	3,800,000	3,800,000

c. Ordinary shares of HK\$1.00 each of China Healthwise Holdings Limited, a 20.92% owned associate of the Company

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of the issued share capital of China Healthwise Holdings Limited
Mr. Lei	Beneficial owner	57,463,636	7.46%

4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% 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 the Group or had any option in respect of such capital:

Long positions**a. Shares**

Name of Shareholder	Notes	Number of Shares held and capacity			Total	Approximate percentage of the issued share capital of the Company
		Beneficial owner	Person having a securities interest in Shares	Held by controlled corporations		
Twin Success	1 and 4	583,832,803	—	—	583,832,803	15.29%
Silver Pacific International Limited	1, 2 and 4	—	—	583,832,803	583,832,803	15.29%
Silver Pacific Development Limited	1, 3 and 4	—	—	583,832,803	583,832,803	15.29%
Mr. Lei	1, 2 and 4	408,740,000	—	583,832,803	992,572,803	25.99%
Mr. Cheung Kwok Wai Elton	1, 3 and 4	—	—	583,832,803	583,832,803	15.29%
Mr. Guan Jian	1, 3 and 4	—	—	583,832,803	583,832,803	15.29%
Kingston Finance Limited	4 and 5	—	583,832,803	—	583,832,803	15.28%
Ample Cheer Limited	4 and 5	—	—	583,832,803	583,832,803	15.28%
Best Forth Limited	4 and 5	—	—	583,832,803	583,832,803	15.28%
Ms. Chu Yuet Wah	4, 5 and 6	—	—	583,832,815	583,832,815	15.28%
The Vendor	7 and 8	950,000,000	—	—	950,000,000	24.87%
Mr. Ma	7 and 8	—	—	950,000,000	950,000,000	24.87%
Mr. Zhang Han Qing	7 and 8	—	—	950,000,000	950,000,000	24.87%

Notes:

1. Twin Success is owned as to 50% by Silver Pacific International Limited and as to 50% by Silver Pacific Development Limited.
2. Silver Pacific International Limited is wholly owned by Mr. Lei.

3. Silver Pacific Development Limited is owned as to 50% by Mr. Cheung Kwok Wai Elton and as to 50% by Mr. Guan Jian.
4. On 5 June 2018, Twin Success pledged its 583,832,803 Shares in favour of Kingston Finance Limited as security for a loan facility.
5. Kingston Finance Limited is a wholly-owned subsidiary of Ample Cheer Limited, which is owned as to 80% by Best Forth Limited and as to 20% by Insight Glory Limited. Ms. Chu Yuet Wah owns 100% interest in Best Forth Limited and Insight Glory Limited.
6. Out of the 583,832,815 Shares, 12 Shares are interested by Kingston Securities Limited. Kingston Securities Limited is a wholly-owned subsidiary of Galaxy Sky Investments Limited, which is wholly owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is wholly owned by Kingston Financial Group Limited. Active Dynamic Limited owns 49.19% interest in Kingston Financial Group Limited. Ms. Chu Yuet Wah owns 100% interest in Active Dynamic Limited.
7. The Vendor is deemed to be interested in the 950,000,000 Consideration Shares which may be issued to it pursuant to the terms of the Sale and Purchase Agreement.
8. Mr. Ma and Mr. Zhang Han Qing have 60.42% and 24.69% effective interest respectively in the Vendor.

b. Share options

Name of Director	Capacity	Number of share options held	Number of underlying Shares
Mr. Lei	Beneficial owner	3,800,000	3,800,000
Mr. Cheung Kwok Wai Elton	Beneficial owner	3,800,000	3,800,000

4. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, Mr. Lei was a director of Twin Success and Silver Pacific International Limited. Mr. Cheung Kwok Wai Elton was a director of Twin Success and Silver Pacific Development Limited. Each of Twin Success, Silver Pacific International Limited, and Silver Pacific Development Limited has an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

a. Save as disclosed below, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

i. On 29 November 2018, Mr. Lei provided a personal guarantee to secure the Company's repayment obligations under a loan of HK\$200,000,000 granted by a finance company. No consideration was paid by the Company to Mr. Lei for the provision of the personal guarantee. No security over the assets of the Group was provided for the personal guarantee given by Mr. Lei.

As at the Latest Practicable Date, the provision of the personal guarantee by Mr. Lei remained in full force and effect.

ii. On 9 March 2020, Mr. Lei provided a personal guarantee to secure the Group's repayment obligations under a securities margin financing facility granted by a securities company. The securities margin financing limit is currently at HK\$55,000,000. No consideration was paid by the Company to Mr. Lei for the provision of the personal guarantee. No security over the assets of the Group was provided for the personal guarantee given by Mr. Lei.

As at the Latest Practicable Date, the provision of the personal guarantee by Mr. Lei remained in full force and effect.

iii. On 29 September 2020, each of Mr. Lei and Mr. Cheung Kwok Wai Elton provided a personal guarantee to guarantee the punctual performance by the Company's obligations under the Notes. No consideration was paid by the Company to Mr. Lei and/or Mr. Cheung Kwok Wai Elton for providing the personal guarantees. No security over the assets of the Group was provided for the personal guarantees given by Mr. Lei and/or Mr. Cheung Kwok Wai Elton.

As at the Latest Practicable Date, the provision of personal guarantees by Mr. Lei and Mr. Cheung Kwok Wai Elton remained in full force and effect.

- iv. On 22 October 2020, Mr. Lei provided a personal guarantee to secure the Group's repayment obligations under a securities margin financing facility of HK\$14,000,000 granted by a securities company. No consideration was paid by the Company to Mr. Lei for the provision of the personal guarantee. No security over the assets of the Group was provided for the personal guarantee given by Mr. Lei.

As at the Latest Practicable Date, the provision of the personal guarantee by Mr. Lei remained in full force and effect.

- v. On 8 September 2021, Mr. Cheung Kwok Fan provided a cash advance of HK\$600,000 to the Group for financing its short-term funding needs. The cash advance is non-interest bearing, unsecured, non-guaranteed and repayable on demand.

As at the Latest Practicable Date, the cash advance of HK\$600,000 remained outstanding.

- b. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

6. COMPETING INTEREST

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had any business or interest that competes or may compete with the business of the Group or any other conflict of interest with the Group:

- a. Mr. Cheung Kwok Wai Elton is the chairman of the board of directors and an executive director of Global Mastermind Holdings Limited (stock code: 8063), a company listed on GEM operated by the Exchange engaging in the provision and operation of travel business, treasury management business, money lending business and provision of securities, asset management and financial advisory services. Therefore, Global Mastermind Holdings Limited competes or is likely to compete, either directly or indirectly, with the Group's money lending and sale of financial assets businesses; and

- b. Mr. Lei has a direct interest in approximately 7.46% of the issued share capital of China Healthwise Holdings Limited (stock code: 348), a company listed on the Main Board of the Exchange engaging in sales of Chinese health products, money lending business and investment in financial instruments. In addition, Mr. Lei is the chairman of the board of directors and an executive director and Mr. Cheung Kwok Wai Elton is the vice chairman of the board of directors and an executive director of China Healthwise Holdings Limited. Therefore, China Healthwise Holdings Limited competes or is likely to compete, either directly or indirectly, with the Group's money lending and sale of financial assets businesses.

7. LITIGATIONS

- a. On 5 October 2020, Hong Kong Builders Finance Limited, a wholly owned subsidiary of the Company, as plaintiff filed a civil complaint with the Intermediate People's Court of Guangzhou City, Guangdong Province, the PRC against Mr. Chung Ho Chun and the guarantors as defendants for (i) repaying HK\$26,459,000, being the outstanding principal amount of the loan of HK\$25,000,000 made to Mr. Chung Ho Chun pursuant to the loan agreement dated 8 July 2019 together with the unpaid interest and default interest thereon, and (ii) the costs of HK\$751,000 in relation to the civil complaint.
- b. On 6 May 2021, a Beijing law firm as plaintiff filed a civil claim to the People's Court in Chaoyang District, Beijing, the PRC against four defendants, one of which is Beijing Bayhood No. 9 Co., for an unsettled legal fee of approximately RMB31,000,000 (excluding overdue interest) regarding an engagement of such law firm by the four defendants to resolve a civil dispute brought against them by an Independent Third Party in relation to a property transaction in 2010. Details of this litigation are disclosed in the announcement of the Company dated 6 August 2021.

Save as disclosed above, as at the Latest Practicable Date, the Enlarged Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had entered into any service contracts with any member of the Group which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

9. EXPERTS' CONSENT AND QUALIFICATIONS

The qualifications of the experts who have given an opinion or advice in this circular are as follows:

Name	Qualification
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Commerce & Finance Law Offices	The PRC legal adviser
Capital 9 Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As of the Latest Practicable Date, each of the above experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its report(s) and/or letter(s) and/or opinion(s) and the references to its name included herein in the form and context in which it is respectively included.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

10. MISCELLANEOUS

- a. The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company are situated at Unit 1211, Shun Tak Centre, West Tower, 168-200 Connaught Road Central, Hong Kong.

- b. The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited, having its office situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- c. Mr. Chan Kin Wah Billy, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants, a CPA member of CPA Australia and a non-practicing member of the Chinese Institute of Certified Public Accountants. He holds a Bachelor of Administration Degree from the University of Ottawa in Canada and a Master of Commerce Degree in Professional Accounting from the University of New South Wales in Australia.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date, and are material:

- a. the memorandum of understanding dated 29 April 2020 entered into between Smart Title Limited, a wholly-owned subsidiary of the Company, and an Independent Third Party engaged in sporting business relating to the proposed setting up of a football training school under the brand of a football club of the Premier League or the Campeonato Nacional de Liga de Primera División on the first phase of the Subject Land;
- b. the subscription and note instrument agreement dated 25 September 2020 entered into between the Company as issuer, an Independent Third Party as subscriber, and Mr. Lei and Mr. Cheung Kwok Wai Elton as guarantors relating to the subscription of the Notes;
- c. the memorandum of understanding dated 12 December 2020 entered into between Beijing Chaolai Football Centre as landlord, Beijing Bayhood No. 9 Co. as manager and an Independent Third Party as potential tenant relating to rent of certain buildings erected on the second and third phases of the Subject Land for a term of 37 years from the date of delivery for an aggregate rental of approximately RMB1,450 million payable to Beijing Bayhood No. 9 Co.;

- d. the supplemental agreement dated 28 December 2020 entered into between 海口九號酒店管理有限公司北京分公司 (Haikou No. 9 Hotel Management Company Limited, Beijing branch*) as lessee and Beijing Bayhood No. 9 Co. as lessor relating to the amendment to (i) the remaining lease term of 15 years by dividing into five rental periods of three years each instead of three rental periods of five years each, and (ii) the payment term of the second rental period of the club lease agreement dated 6 October 2015;
- e. the Sale and Purchase Agreement;
- f. the VIE Contracts; and
- g. the Supplemental Agreement.

12. DOCUMENTS ON DISPLAY

Copies of the following documents are available on the websites of the Exchange at www.hkexnews.hk and the Company at www.etsnityinv.com.hk from the date of this circular up to and including the date of the SGM:

- a. the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 75 to 76 of this circular;
- b. the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on page 77 to 95 of this circular;
- c. the accountants' report on the financial information of the PRC Company Group, the text of which is set out in Appendix II to this circular;
- d. the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;
- e. the PRC Legal Opinion;
- f. the written consents referred to in paragraph headed "9. EXPERTS' CONSENT AND QUALIFICATIONS" in this appendix; and
- g. the material contracts referred to in the paragraph headed "11. MATERIAL CONTRACTS" in this appendix.

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING



ETERNITY INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 764)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Eternity Investment Limited (the “**Company**”) will be held at Meeting Room (Soho 2), 6/F., ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Wednesday, 15 December 2021 at 11:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) dated 4 May 2021 (as supplemented and amended by the supplemental agreement dated 10 November 2021) and entered into among the Company, RICHE (BVI) LIMITED, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as purchaser (the “**Purchaser**”), TangD Co., Ltd., a company incorporated in the British Virgin Islands with limited liability as vendor (the “**Vendor**”) and Mr. 馬凱 (Ma Kai) as guarantor in relation to the sale and purchase of one share of US\$1 of Proactivity Plus Co., Ltd (the “**Target Company**”), a company incorporated in the British Virgin Islands with limited liability, representing the entire issued share capital of the Target Company for a consideration of not more than HK\$800,000,000 (the “**Consideration**”) pursuant to the terms of the Sale and Purchase Agreement, of which (a) HK\$25,000,000 shall be satisfied by the Purchaser by procuring the Company to allot and issue 100,000,000 shares (the “**First Consideration Shares**”) of the Company (the “**Share(s)**”) at the issue price of HK\$0.250 each; (b) as to HK\$135,000,000 shall be satisfied by the Purchaser by procuring the Company to issue the promissory note in the principal amount of HK\$135,000,000 (the “**First Promissory Note**”); (c) as to the remaining of not exceeding HK\$640,000,000 shall be satisfied by the Purchaser by (1) not more than HK\$120,000,000 in cash; (2) procuring the Company to issue

NOTICE OF SPECIAL GENERAL MEETING

the promissory note in the principal amount of not more than HK\$307,500,000 (the “**Second Promissory Note**”, together with the First Promissory Note, the “**Promissory Notes**”); and (3) procuring the Company to allot and issue not more than 850,000,000 Shares (the “**Second Consideration Shares**”, together with the First Consideration Shares, the “**Consideration Shares**”) at the issue price of HK\$0.250 each (a copy of the Sale and Purchase Agreement (as supplemented and amended) has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

- (b) the allotment and issue of the Consideration Shares by the Company to the Vendor to settle part of the Consideration payable by the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified;
- (c) the issue of the Promissory Notes by the Company to the Vendor to settle part of the Consideration payable by the Purchaser in accordance with the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified;
- (d) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares to be allotted and issued, the directors (the “**Directors**”) of the Company be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot and issue the Consideration Shares provided that the Specific Mandate is in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and

NOTICE OF SPECIAL GENERAL MEETING

- (e) any one or more of the Director(s) be and is/are hereby authorised to do all such acts and things and execute all such documents (including under seal) which he/they considers necessary or expedient to give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares and the issue of the Promissory Notes.”

By Order of the Board
Eternity Investment Limited
Lei Hong Wai
Chairman

Hong Kong, 25 November 2021

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business
in Hong Kong:*
Unit 1211, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged at the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or any adjournment thereof should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
4. Where there are joint registered holders of any shares of the Company, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such holders be present at the Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

NOTICE OF SPECIAL GENERAL MEETING

5. The register of members of the Company will be closed from Friday, 10 December 2021 to Wednesday, 15 December 2021, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to ascertain shareholders' rights for the purpose of attending and voting at the Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 9 December 2021.
6. The voting on the resolution will be conducted by way of poll.
7. In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the Meeting to protect attending members, staff and other stakeholders from the risk of infection (i) compulsory body temperature checks will be conducted on every members, proxy and other attendee at the entrance of the Meeting venue and any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the Meeting venue or be required to leave the Meeting venue; (ii) the Company requests attendees to wear surgical face masks inside the Meeting venue at all times, and to maintain a safe distance between seats; and (iii) no refreshments will be served, and there will be no corporate gifts. To the extent permitted under law, the Company reserves the right to deny entry into the Meeting venue or require any person to leave the Meeting venue in order to ensure the safety of the attendees at the Meeting. In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all members that physical attendance in person at the Meeting is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions inserted, members may appoint the chairman of the Meeting as their proxy to vote on the resolution at the Meeting instead of attending the Meeting in person.