This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any investment. Some of the particular risks in investing in the [**REDACTED**] *are set out in the section headed "Risk Factors." You should read the entire document carefully before you decide to invest in the* [**REDACTED**].

OVERVIEW

Who We Are

According to the F&S Report, we are the largest variety program IP creator and operator in China in terms of revenue in 2021, with a market share of 1.6%. We also own and operate a large library of Chinese film IPs and are a music IP creator and operator in China. Having built an ecosystem underpinned by abundant IP resources, we attract people with our original and entertaining content. Bringing enjoyment to people's everyday lives, we have accumulated an audience base which serves as the basis of our diversified IP-related business.

We have a broad spectrum and a number of popular variety program IPs in diverse genres, including music variety programs, dance variety programs, talent shows, talk shows, outdoor/cultural variety programs and other variety programs. According to the F&S Report, we are one of the few companies that can create and operate variety program IPs in various major program genres. We adhere to the idea that entertainment content should touch on hot issues, people's livelihoods and their innermost soul, enabling us to produce variety programs which are not only entertaining but also filled with positive energy. Reflecting the sociocultural environment of our time, our variety programs are authentic and can resonate with a broad audience. We uphold the highest standards in our operations and are dedicated to building a team underpinned by operational excellence and social responsibilities.

What We Do

We are dedicated to creating entertainment IPs.

We are the largest variety program IP creator and operator in China in terms of revenue in 2021, with a market share of 1.6%. In 2012, we launched "Sing! China" (中國好聲音), one of the most popular singing competition shows in China. With 11 seasons aired, "Sing! China" has set a record by being the longest running seasonal variety program in China. We also created and operated other variety program IPs with long-lasting popularity, such as "Guess the Singer!" (蒙面唱將猜猜猜) "Sing My Song" (中國好歌曲) and "Brilliant Chinese — Path to Glory" (出彩中國人). We cooperated with Youku, one of the Top Three Online Video Platforms in China, and jointly produced "Street Dance of China" (這！就是街舞), a made-for-internet dance competition show. It became an instant hit after its launch in 2018 and topped the rankings for dance variety programs with a total view count of over 1.7 billion in the same year.

We also produced programs in other genres, such as "The Great Wall" (了不起的長城), a cultural variety program released in 2020, which ranked third in terms of TV viewership among all TV variety programs in its time slot.

We are a music IP creator and operator in China. As of June 30, 2022, we had a music library of 8,549 IPs, consisting of 3,546 live music recordings produced during the creation of our music variety programs, 3,158 songs we produced for our managed artists, and 1,845 lyrics and music compositions. The breadth and diversity of our music library demonstrate our ability to continually create widely popular music IPs.

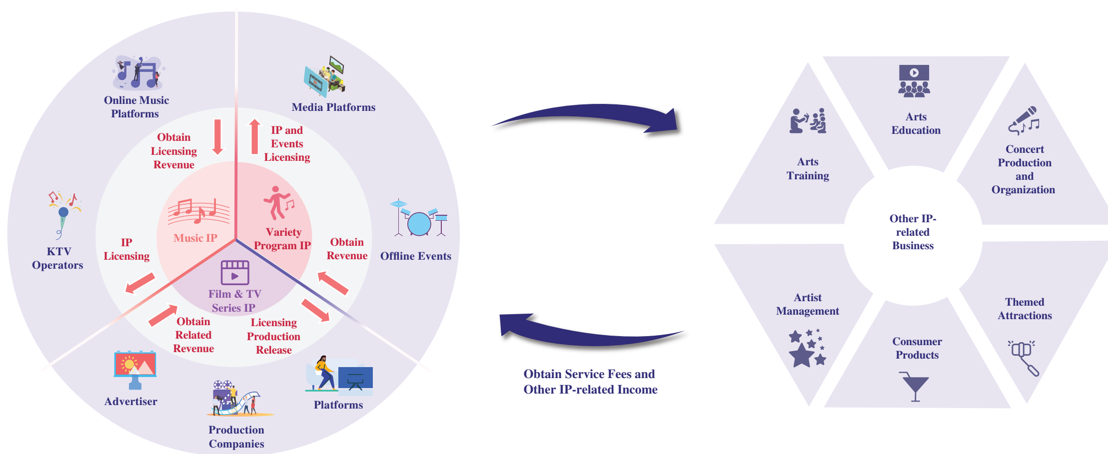
We own and operate a large library of Chinese film IPs. We believe our extensive IP operation experience will greatly benefit our development in the field of film and drama series production. As of June 30, 2022, we owned 757 popular Chinese films produced in Hong Kong in the past few decades, including many classics such as "The Way of the Dragon" (猛龍過江), "First of Fury" (精武門), "A Chinese Ghost Story" (倩女幽魂) and "Rouge" (胭脂扣). We own the right of rerun of all of our film IPs, as well as the rights of remastering and remake of some of our film IPs, and we are seeking opportunities to present our film IPs in innovative ways, such as creating new film IPs based on the storyline of the existing ones. In addition, in October 2020, we concluded the filming of the drama series "Reading Class" (閱讀課), our first drama series production.

Our IP-centric ecosystem has become an integral part of audience members' lives, bringing them a spectacular "on-the-air, online and on-the-spot" entertainment experience.

The entertainment IPs that we have created, owned and operated have reached a wide audience through diverse broadcasting channels. As of June 30, 2022, we had close cooperation with four of the Big Five Satellite TV Networks in China, the Top Three Online Video Platforms in China and two major online music platforms in China to distribute our IP content worldwide. During the Track Record Period, a number of our variety programs consistently ranked among the top three in terms of first-run viewership in the same time slot. According to Frost & Sullivan, rankings based on average viewership ratings are commonly used to measure popularity of variety programs in China.

We operate our proprietary mobile app, the "Sing! China" app, and a WeChat mini-app, the "Zongbache" (綜巴車) mini-app, to offer an engaging social network platform for our audience. As of June 30, 2022, there were more than 1.2 million registered users on the "Sing! China" app and more than 68,000 registered users on the "Zongbache" mini-app.

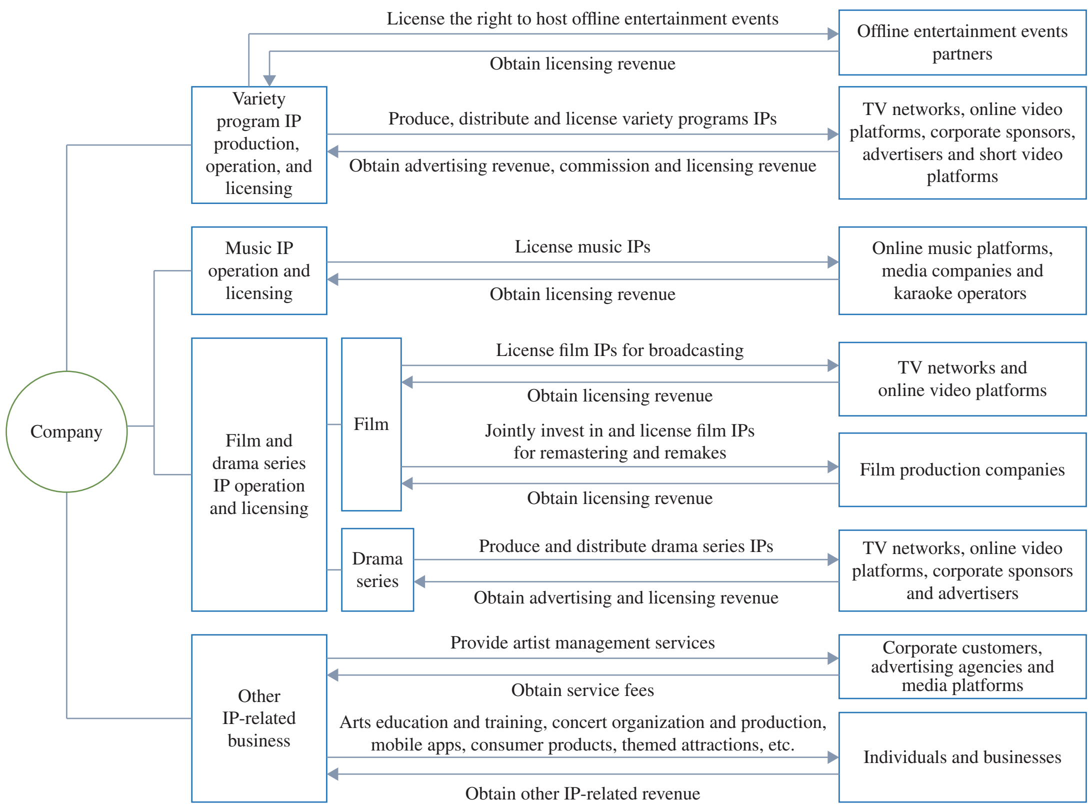
We have also expanded our footprint in a wide array of IP-related businesses, enabling us to further interact with hundreds of millions of audience members and become an enjoyable part of their lives. We arrange our managed artists to attend various concerts, tours and in-person appearances, where audience members can interact with our managed artists. Through our arts education and training programs, people can improve their singing, dancing and other performance skills. In addition, we license our entertainment IPs to consumer products brands and themed attractions, so that audience members can purchase tie-in merchandise and have fabulous on-site entertainment experiences.



Our revenue decreased from RMB1,806.6 million in 2019 to RMB1,559.9 million in 2020, and decreased to RMB1,126.7 million in 2021. Our revenue was RMB154.6 million and RMB182.6 million for the six months ended June 30, 2021 and 2022, respectively. We had net profit/(loss) of RMB380.2 million, RMB(27.8) million and RMB(351.7) million in 2019, 2020 and 2021, respectively, and RMB(25.4) million and RMB(13.4) million for the six months ended June 30, 2021 and 2022, respectively. We recorded adjusted net profit/(loss) (non-IFRS measures) of RMB406.2 million, RMB(0.3) million and RMB(304.3) million in 2019, 2020 and 2021, respectively, and RMB11.2 million and RMB(6.3) million for the six months ended June 30, 2021 and 2022, respectively. See "Financial Information — Description of Key Statement of Profit or Loss Items — Non-IFRS Measures" for a reconciliation of our net profit/(loss) to the adjusted net profit/(loss) (non-IFRS measures).

OUR BUSINESS AND REVENUE MODEL

We have built a business model consisting of four business segments: (i) variety program IP production, operation, and licensing, (ii) music IP operation and licensing, (iii) film and drama series IP operation and licensing, and (iv) other IP-related business. Below is an illustration of our business model.



The following table sets out a breakdown of our revenue by business line in both absolute terms and as a percentage of our revenue for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in millions, except for percentages)						*(unaudited)*			
Variety program IP production, operation, and licensing	1,340.5	74.2%	1,090.1	69.9%	879.5	78.0%	72.5	46.9%	136.5	74.7%
Music IP operation and licensing	239.1	13.2%	217.3	13.9%	118.3	10.5%	45.2	29.2%	19.5	10.7%
Film and drama series IP operation and licensing	115.0	6.4%	174.2	11.2%	86.4	7.7%	22.4	14.5%	13.7	7.5%
Other IP-related business	112.0	6.2%	78.3	5.0%	42.5	3.8%	14.5	9.4%	12.9	7.1%
Total revenue	1,806.6	100.0%	1,559.9	100.0%	1,126.7	100.0%	154.6	100.0%	182.6	100.0%

The following table sets out a breakdown of our gross profit and gross profit margin by business line for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in millions, except for percentages)				
				(unaudited)	
Gross Profit					
Variety program IP production, operation, and licensing	369.5	203.8	116.2	17.0	29.0
Music IP operation and licensing	201.9	182.8	85.3	27.3	12.5
Film and drama series IP operation and licensing	80.9	157.5	56.0	7.4	8.2
Other IP-related business	52.6	43.3	16.8	5.0	6.8
Total gross profit	**704.9**	**587.4**	**274.3**	**56.7**	**56.5**
Gross Profit Margin	**39.0%**	**37.7%**	**24.3%**	**36.7%**	**30.9%**
Variety program IP production, operation, and licensing	27.6%	18.7%	13.2%	23.4%	21.2%
Music IP operation and licensing	84.4%	84.1%	72.1%	60.4%	64.1%
Film and drama series IP operation and licensing	70.3%	90.4%	64.8%	33.0%	59.9%
Other IP-related business	47.0%	55.3%	39.5%	34.5%	52.7%

Variety Program IP Production, Operation, and Licensing

We create and distribute variety programs on various media platforms, consisting of major TV networks and online video platforms. Under the revenue sharing model, we produce and jointly invest in variety programs with media platforms and share the advertising sales with the platforms. Under the commissioned production model, we are engaged by media platforms to produce variety programs for a fixed commission. We generate additional revenues from licensing the broadcasting rights of our variety programs to media platforms for reruns and from licensing the right to host offline entertainment events in association with our variety programs for licensing fees.

The following table sets out a breakdown of our revenue generated from variety program IP production, operation, and licensing by cooperation models for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in millions, except percentages)									
							(unaudited)			
Revenue Sharing Model	1,137.5	84.9%	665.8	61.1%	704.7	80.1%	56.3	77.7%	36.1	26.4%[(1)]
Commissioned Production Model	203.0	15.1%	424.3	38.9%	174.8	19.9%	16.2	22.3%	100.4	73.6%[(1)]
Total	**1,340.5**	**100.0%**	**1,090.1**	**100.0%**	**879.5**	**100.0%**	**72.5**	**100.0%**	**136.5**	**100.0%**

Note:

(1) The percentage of our revenue generated during the six months ended June 30, 2022 under the commissioned production model increased and that under the revenue sharing model decreased compared to the same period in 2021, primarily because (i) we recognized revenue of "Great Dance Crew" in the six months ended June 30, 2022, which was produced under the commissioned production model, and (ii) we recognized revenue of "Guess the Singer! 2020" in the same period in 2021,which was produced under the revenue sharing model.

The following table sets out a breakdown of our gross profit and gross profit margin by cooperation models for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions, except for percentages)				
				(unaudited)	
Gross Profit[1]					
Revenue Sharing Model	323.4	113.9	95.0	31.3	12.8
Commissioned Production Model	64.0	108.5	39.4	3.9	16.2
Total gross profit[1]	**387.4**	**222.4**	**134.4**	**35.2**	**29.0**
Gross Profit Margin[1]	**28.9%**	**20.4%**	**15.3%**	**48.6%**	**21.2%**
Revenue Sharing Model	28.4%	17.1%	13.5%	55.6%	35.5%
Commissioned Production Model	31.5%	25.6%	22.5%	24.1%	16.1%

Note:

(1) Gross profits and gross profit margins in this table are calculated excluding equity-settled share award expenses in cost of sales, as equity-settled share award expenses cannot be allocated to a specific cooperation model.

Fluctuations in Revenue, Gross Profit, and Gross Profit Margin by Program

The following table sets out a breakdown of our revenue generated from variety program IP production, operation, and licensing by programs for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,	
	2019		2020		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentages)							
Sing! China (中國好聲音)	490.5	36.6%	324.5	29.8%	256.1	28.6%	–	–
Street Dance of China (這!就是街舞)	184.0	13.7%	210.5	19.3%	239.1	27.2%	–	–
China's Got Talent 2019 (中國達人秀 2019)	182.9	13.6%	–	–	–	–	–	–
CHUANG (這!就是原創)	140.3	10.5%	–	–	–	–	–	–
Guess the Singer! (蒙面唱將猜猜猜)	132.8	9.9%	65.1[(1)]	6.0%	23.8[(1)]	2.7%	–	–
Let's Band (一起樂隊吧)	70.1	5.2%	–	–	–	–	–	–
The Great Wall (了不起的長城)	34.6[(2)]	2.6%	158.2[(2)]	14.5%	–	–	–	–
Guess the Dancer! (蒙面舞王)	–	–	80.1	7.3%	79.9	9.1%	–	–
Arrival of the Best-Seller! 2020 (爆款來了2020)	–	–	76.9	7.1%	–	–	–	–
Sing Along the Way (街頭音浪2020)	–	–	54.7	5.0%	–	–	–	–
King Cross 2020 (跨界歌王2020)	–	–	41.5	3.8%	–	–	–	–
Shifu Go Go Go! (出發吧,師傅!)	–	–	23.5	2.2%	–	–	–	–
Likes! Talent (點讚!達人秀)	–	–	–	–	110.3[(3)]	12.5%	24.1[(3)]	17.7%
Shine! Super Brothers 2021 (追光吧!2021)	–	–	–	–	68.4[(4)]	7.8%	17.1[(4)]	12.5%
IN China (中國潮音)	–	–	–	–	52.7[(5)]	6.0%	8.8[(5)]	6.5%
Great Dance Crew (了不起!舞社)	–	–	–	–	–	–	53.3	39.0%
Others[(6)]	105.3	7.9%	55.1	5.0%	53.7	6.1%	33.2	24.3%
Total	**1,340.5**	**100.0%**	**1,090.1**	**100.0%**	**879.5**	**100.0%**	**136.5**	**100.0%**

Notes:

(1) Representing the revenue we recognized in 2020 and 2021 for "Guess the Singer! 2020" that was broadcast in 2020 and 2021.

(2) Representing the revenue we recognized in 2019 and 2020 for "The Great Wall" that we started the production process in 2019 and the program was broadcast in 2020.

(3) Representing the revenue we recognized in 2021 and the six months ended June 30, 2022 for "Likes! Talent" that was broadcast in 2021 and 2022.

(4) Representing the revenue we recognized in 2021 and the six months ended June 30, 2022 for "Shine! Super Brothers 2021" that was broadcast in 2021 and 2022.

(5) Representing the revenue we recognized in 2021 and the six months ended June 30, 2022 for "IN China" that was broadcast in 2021 and 2022.

(6) For the years ended December 31, 2019, 2020 and 2021, others comprised of variety programs other than our major programs, consisting of non-seasonal variety programs, variety programs of which we only involved in post-production and variety programs whose revenue is less than two percent of our total revenue generated from variety program IP production, operation, and licensing. For the six months ended June 30, 2022, others comprised of variety programs whose revenue is less than two percent of our total revenue generated from variety program IP production, operation, and licensing, and variety programs which have not been broadcast as of June 30, 2022.

The following table sets out a breakdown of our gross profit and gross profit margin by variety programs for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,	
	2019		2020		2021		2022	
	Gross profit[1]	Gross profit margin[1]	Gross profit[1]	Gross profit margin[1]	Gross profit[1]	Gross profit margin[1]	Gross profit[1]	Gross profit margin[1]
		(%)		(%)		(%)		(%)
	(RMB in millions, except for percentages)							
Sing! China (中國好聲音)	228.8	46.6%	54.4	16.8%	5.6	2.2%	–	–
Street Dance of China (這!就是街舞)	38.2	20.8%	58.0	27.6%	83.5	34.9%	–	–
China's Got Talent 2019 (中國達人秀2019)	35.7	19.5%	–	–	–	–	–	–
CHUANG (這!就是原創)	18.3	13.0%	–	–	–	–	–	–
Guess the Singer! (蒙面唱將猜猜猜)[2]	17.9	13.5%	1.2	1.8%	1.5	6.3%	–	–
Let's Band (一起樂隊吧)	26.6	37.9%	–	–	–	–	–	–
The Great Wall (了不起的長城)[3]	–	–	29.1	18.4%	–	–	–	–
Guess the Dancer! (蒙面舞王)	–	–	19.2	24.0%	9.8	12.3%	–	–
Arrival of the Best-Seller! 2020 (爆款來了2020)	–	–	35.6	46.3%	–	–	–	–
Sing Along the Way (街頭音浪2020)	–	–	16.6	30.3%	–	–	–	–
King Cross 2020 (跨界歌王2020)	–	–	6.3	15.2%	–	–	–	–
Shifu Go Go Go! (出發吧,師傅!)	–	–	0.2	0.9%	–	–	–	–
Likes! Talent (點讚!達人秀)[4]	–	–	–	–	2.0	1.8%	0.4	1.7%

	For the year ended December 31,						For the six months ended June 30,	
	2019		2020		2021		2022	
	Gross profit(1)	Gross profit margin(1)	Gross profit(1)	Gross profit margin(1)	Gross profit(1)	Gross profit margin(1)	Gross profit(1)	Gross profit margin(1)
		(%)		(%)		(%)		(%)
	(RMB in millions, except for percentages)							
Shine! Super Brothers 2021 (追光吧!2021)(5)	–	–	–	–	13.7	20.0%	3.5	20.5%
IN China (中國潮音)(6)	–	–	–	–	8.9	16.9%	1.5	17.0%
Great Dance Crew (了不起!舞社)	–	–	–	–	–	–	11.3	21.2%
Others(7)	21.9	20.8%	1.8	3.3%	9.4	17.5%	12.3	37.0%
Total	**387.4**	**28.9%**	**222.4**	**20.4%**	**134.4**	**15.3%**	**29.0**	**21.2%**

Notes:

(1) Gross profits and gross profit margins in this table are calculated excluding equity-settled share award expenses in cost of sales, as equity-settled share award expenses cannot be allocated to a specific program.

(2) The overall gross profit margin of "Guess the Singer! 2020" was 3.0% after including the revenue generated and cost of sales incurred in 2020 and 2021.

(3) The overall gross profit margin of "The Great Wall" was 15.1% after including the revenue generated and cost of sales incurred in 2019 and 2020.

(4) The overall gross profit margin of "Likes! Talent" was 1.8% after including the revenue generated and cost of sales incurred in 2021 and the six months ended June 30, 2022.

(5) The overall gross profit margin of "Shine! Super Brothers 2021" was 20.1% after including the revenue generated and cost of sales incurred in 2021 and the six months ended June 30, 2022.

(6) The overall gross profit margin of "IN China" was 16.9% after including the revenue generated and cost of sales incurred in 2021 and the six months ended June 30, 2022.

(7) For the years ended December 31, 2019, 2020 and 2021, others comprised of variety programs other than our major programs, consisting of non-seasonal variety programs, variety programs of which we only involved in post-production and variety programs whose revenue is less than two percent of our total revenue generated from variety program IP production, operation, and licensing. For the six months ended June 30, 2022, others comprised of variety programs whose revenue is less than two percent of our total revenue generated from variety program IP production, operation, and licensing, and variety programs which have not been broadcast as of June 30, 2022.

The revenue of "Sing! China" program decreased from RMB490.5 million in 2019 to RMB324.5 million in 2020, and further decreased to RMB256.1 million in 2021, and the gross profit margin of "Sing! China" program decreased from 46.6% in 2019 to 16.8% in 2020, and further decreased to 2.2% in 2021, primarily due to (i) a decrease in the advertising budget of corporate customers, reflecting high economic and business uncertainty under the negative impact of COVID-19 pandemic, as well as policy or economic changes that adversely affected certain industries such as after-school tutoring and smartphones, and (ii) a decrease in licensing revenue from online media platforms, also reflecting the negative impact of COVID-19 pandemic on the economic environment.

The revenue of "Street Dance of China" program increased from RMB184.0 million in 2019 to RMB210.5 million in 2020, and further increased to RMB239.1 million in 2021, and the gross profit margin of "Street Dance of China" program increased from 20.8% in 2019 to 27.6% in 2020, and further increased to 34.9% in 2021, primarily because there have been few similar programs focusing on street dance since the launch of "Street Dance of China" as a hit dance competition show in 2018.

The revenue of "Guess the Singer!" decreased from RMB132.8 million for "Guess the Singer! 2019" to RMB88.9 million for "Guess the Singer! 2020," and gross profit margin of "Guess the Singer!" decreased from 13.5% for "Guess the Singer! 2019" to 3.0% for "Guess the Singer! 2020," primarily due to a decrease in the advertising budget of corporate customers, reflecting high economic and business uncertainty under the negative impact of the COVID-19 pandemic.

The revenue of "Guess the Dancer!" program remained stable at RMB79.9 million in 2021 as compared to RMB80.1 million in 2020. The gross profit margin of "Guess the Dancer!" program decreased from 24.0% in 2020 to 12.3% in 2021, primarily due to an increase in cost of sales of RMB9.2 million as corporate customers required us to increase spending on show setting and guest invitation in 2021.

"Likes! Talent," a talent show we produced under the revenue sharing model in 2021, recorded a relatively low gross profit margin of 1.8%, primarily because it is a newly launched program and the advertising revenue is relatively modest.

Fluctuations in Financial Performance of Variety Program IP Production, Operation, and Licensing

The revenue and gross profit margin of our variety programs are affected by multiple factors, including but not limited to (i) the cooperation model we adopt for programs, (ii) our negotiation with investing media platforms, (iii) overall economic environment, and (iv) shifts in audience preferences. Therefore, our revenue and gross profit margin vary from program to program. As a result, our financial performance may fluctuate from year to year due to the inherent risk in the business model of our variety program IP production, operation and licensing. For further details, see "Risk Factors — Risks Relating to Our Business and Industries — We may be unable to adapt to changing trends in the entertainment content market in China," "Risk Factors — Risks Relating to Our Business and Industries — The production and distribution of new variety programs and drama series are subject to uncertainties" and "Risk Factors — Risks Relating to Our Business and Industries — Our business depends on the continual release of successful programs and our operating results may be affected by changes in schedule or mix of our program portfolio" in this document.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenue and results of operations. Being affected by numerous factors, such as viewer's preferences and broadcasting platforms' schedules, the broadcasting of our variety programs are subject to seasonal fluctuations. Typically, the level of our variety program development, production and distribution activities starts to increase in the second quarter and peaks in the second half of a year. In general, we expect our revenue, gross profit and net profit to be higher in the second half of a year than in the first half. As a result, it may not be meaningful to project our full year results from our interim results. For details, see "Risk Factors — Risks Relating to Our Business and Industries — Our operating results are subject to seasonal fluctuations" and "Financial Information — Key Factors Affecting Our Results of Operations — Seasonality."

Music IP Operation and Licensing

We produce music recordings and music compositions during the production of our music variety programs and for our managed artists. We license the music IPs we produced to music service providers such as online music platforms, media companies and karaoke operators for licensing fees and/or royalties.

Film and Drama Series IP Operation and Licensing

As of June 30, 2022, we had a library of 757 films and owned the rights to license all the films in our film IP library for reruns, as well as the rights to produce remakes and remastered copies of some of the films. We generally license our broadcasting rights of the films for a fixed licensing fee during a specified term. We also set up a drama series development team in 2018 and produced "Reading Class" (閱讀課), a drama series based on our original screenplays. We are in the process of negotiating with different media platforms for the licensing of its broadcasting rights.

Other IP-Related Business

We have spanned our business to various IP-related fields, such as artist management, arts education and training, concert organization and production, mobile apps, consumer products and themed attractions. With respect to artist management business, we receive fixed service fees from our customers who engage our artists for concerts, tours, in-person appearances and endorsement deals and share such fees with our managed artists according to the percentages set out in the artist management contracts. We also organize concerts and generate revenue from ticket sales. With respect to arts education, the tuition fee for enrolling in the Pop Music School is set by Shanghai Institute of Visual Arts, or SIVA, an independent third party. With respect to arts training, we typically charge a fixed fee for each course or a fixed monthly fee.

For audience who take online singing classes on our "Sing! China" app, we generally charge a fixed fee for each course taken. For licensing our IPs to consumer products brands, we usually charge our licensing partners a fixed licensing fee.

OUR STRENGTHS

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

- Leading creator, owner and operator of entertainment IPs in China;
- Strong IP creation capabilities;
- Vibrant entertainment ecosystem benefited from efficient IP operation;
- Diversified distribution channels centered on IP promotion;
- An audience base attracted by our popular IPs;
- Global entertainment IP presence; and
- Visionary and experienced management team.

For further details, please refer to the section headed "Business — Our Strengths" in this document.

OUR STRATEGIES

We plan to continue to maintain our market leading position and expand our business outreach. To achieve our goals, we plan to execute the following strategies:

- Further strengthen our IP creation and operation capabilities;
- Further expand our audience outreach and brand influence to enhance our monetization capabilities;
- Further expand our business through mergers and acquisitions; and
- Continue to attract talents and build our team.

For further details, please refer to the section headed "Business — Our Strategies" in this document.

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks, which are set out in "Risk Factors" in this document. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks that we face include:

- We may be unable to adapt to changing trends in the entertainment content market in China. If we fail to develop new entertainment contents that effectively meet the evolving needs and preferences of corporate sponsors, viewers and media platforms, our business, financial condition and results of operations could be materially adversely affected;

- The production and distribution of new variety programs are subject to uncertainties. There is no guarantee that the production or distribution of our variety programs can generate profit;

- Our business depends on the continual release of successful programs and our operating results may be affected by changes in schedule or mix of our program portfolio;

- Decline in variety programs viewership would affect our operational and financial performance;

- Information on our pipeline programs may not prove to be accurate or indicative of our future results of operations;

- We rely on the contribution of industry professionals participating in the development, production and promotion of our variety programs and other third-party suppliers of services and products. Our failure to retain the services of such professionals and suppliers, unsatisfied services provided by them or even any negative news about them in the future may materially and adversely affect our business and results of operations;

- Failure to create, operate and protect the intellectual property rights of our IPs could have a negative impact on our business, competitive position and prospects;

- Our operating results are subject to seasonal fluctuations;

- Our business operations and financial performance have been affected by the COVID-19 outbreak;

- The continuous and collaborative efforts of our senior management and key employees are crucial to our success, and our business may be harmed if we lose their services;

- We are exposed to impairment on goodwill and other intangible assets arising from the changes in the business prospects of our acquisitions, which could adversely affect our results of operations and financial condition;

- The production and distribution of video content programs are extensively regulated in the PRC. Our failure to comply with evolving laws, rules and regulations could materially and adversely affect our business, financial condition and results of operations; and

- Legal disputes or proceedings may expose us to liabilities, divert our management's attention and adversely affect our reputation.

OUR CONTROLLING SHAREHOLDERS

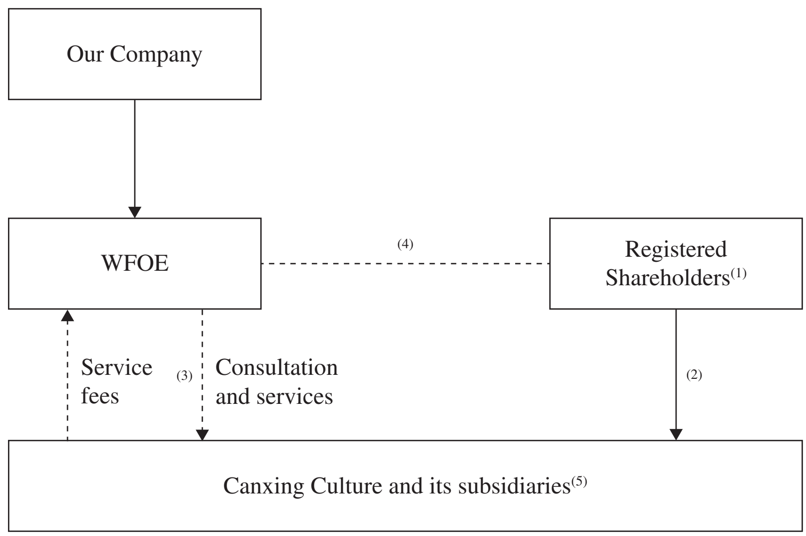
Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), our Ultimate Controlling Shareholders, namely CMC (Shanghai), CMC (Tianjin) (general partner of CMC (Shanghai)), Mr. Tian, Mr. Jin and Mr. Xu, through various intermediary entities, will be interested in and jointly control an aggregate of approximately [**REDACTED**]% of the total issued Shares held by Unionstars in our Company. In addition, Mr. Tian, our executive Director and chief executive officer, will through Harvest Sky (a company wholly owned by Mr. Tian) be interested in and control the exercise of [**REDACTED**]% of the total issued Shares held by Harvest Sky in our Company. The Ultimate Controlling Shareholders and their various intermediary entities have entered into the Joint Control Agreement pursuant to which they agree to exercise joint control over the Group. Accordingly, the parties to the Joint Control Agreement constitute a group of Controlling Shareholders under the Listing Rule and will collectively control the exercise of an aggregate of [**REDACTED**]% of voting rights in our Company upon [**REDACTED**]. See "Relationship with the Controlling Shareholders" for further details.

[**REDACTED**] INVESTMENTS

We have undertaken several rounds of [**REDACTED**] Investments since our establishment to raise funds for the development of our business and to bring in new shareholders. For further details of the identity and background of the [**REDACTED**] Investors, see "History, Reorganization and Corporate Structure — [**REDACTED**] Investments — Information about the [**REDACTED**] Investors."

CONTRACTUAL ARRANGEMENTS

Certain businesses currently operated by our Consolidated Affiliated Entities, Canxing Culture and its subsidiaries, in the PRC are subject to foreign investment restrictions and license requirements. In order to comply with these laws, we control our Consolidated Affiliated Entities through the Contractual Arrangements. Through the Contractual Arrangements, we would gain effective control over the financial and operational matters of the Consolidated Affiliated Entities and are entitled to all the economic benefits derived from the businesses currently operated by our Consolidate Affiliated Entities. See "Contractual Arrangements" for further details. The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group under the Contractual Arrangements:



Notes:

(1) The Registered Shareholders refer to the shareholders of Canxing Culture, namely SH Xingtou, SH Zhouxing, Mr. Tian, Mr. Cao Bin and Hanfu Capital, each holding 73.71%, 23.09%, 1.77%, 0.78% and 0.65% of the total issued share capital of Canxing Culture, respectively. For further information about the Registered Shareholders, see "History, Reorganization and Corporate Structure."

(2) "⟶" denotes direct legal and beneficial ownership in the equity interest.

(3) "- - ▸" denotes the control by WFOE over the business of the Consolidated Affiliated Entities through the Exclusive Consulting and Services Agreements.

(4) "---" denotes the control by WFOE over the equity interest of the Consolidated Affiliated Entities through the (i) Exclusive Purchase Option Agreements, (ii) Equity Pledge Agreements and (iii) Voting Right Trust Agreements.

(5) As of the Latest Practicable Date, the subsidiaries of Canxing Culture included Beiyi Culture and Canxing Film. Beiyi Culture was wholly owned by Canxing Culture. Canxing Film was held by Canxing Culture as to 78% and two employees and a director of Canxing Film as to the remaining 22%.

For the risks relating to the Contractual Arrangements, see the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements" in this document for further details.

IMPAIRMENT OF MXQY GOODWILL

We have conducted impairment test of goodwill on an annual basis during the Track Record Period in accordance with IFRS and recognized an impairment loss of RMB386.8 million in 2020 and an impairment loss of RMB380.7 million in 2021 in connection with the

MXQY Goodwill resulting from the MXQY Acquisition in 2016, based on our assessment of the operational performance of MXQY at the relevant time. The MXQY Goodwill in an amount of RMB1.97 billion represents the excess of the consideration for the MXQY Acquisition over the acquisition-date fair value of the identifiable net assets acquired. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. According to the impairment tests conducted on the MXQY Goodwill for the Track Record Period, as the recoverable amount of the cash-generating unit to which the MXQY Goodwill was allocated was lower than its respective carrying amount as at December 31, 2020 and 2021, impairment losses were recognized for the respective periods. For further details of the accounting treatment on the impairment of MXQY Goodwill, see "Financial Information — Critical Accounting Policies and Estimates — Business Combinations and Goodwill" and "Financial Information — Description of Key Statement of Profit or Loss Items — Impairment of Goodwill" and Note 16 of the Accountants' Report in Appendix I to this document.

During the process of Canxing Culture's previous A-share Application for listing of its shares on the ChiNext board of the Shenzhen Stock Exchange, Canxing Culture retrospectively recognized an impairment loss of approximately RMB347.6 million as at December 31, 2016 for the MXQY Goodwill in 2020. In reaching such decision, Canxing Culture had considered the results of a goodwill retrospective appraisal report on the MXQY Goodwill prepared by an independent qualified valuer which indicated that an impairment may be required, based on the difference between the estimated results of MXQY projected in the Historical Impairment Tests and MXQY's actual operation results, its then understanding from rounds of comments on the A-share Application from the relevant regulators that an impairment loss for the MXQY Goodwill may be required and with a view to providing better protection for minority shareholders. In February 2021, the Shenzhen Stock Exchange issued a termination notice in relation to Canxing Culture's A-share application on the grounds that, among the others, the retrospective accounting adjustment applied by Canxing Culture with respect to the goodwill resulting from the MXQY Acquisition did not reflect the actual financial position of Canxing Culture at the relevant time.

In preparation for the [**REDACTED**], we have engaged an independent internal control consultant to perform internal control assessment procedures in connection with our internal control of various processes which covered, among others, controls in connection with financial reporting process and intangible asset management process. The internal control consultant performed procedures in March 2021 on our overall internal control system and follow-up procedures in July 2021 with regard to the Group's implementation of the remedial actions recommended by the internal control consultant. Having completed these procedures, the internal control consultant did not identify any material deficiencies in the internal control system of the Group. In addition, the termination of Canxing Culture's A-share Application by the Shenzhen Stock Exchange did not imply any internal control deficiency in Canxing Culture's financial reporting process or deviation from the relevant PRC accounting standards. Based on the above, the Directors considered that they have fulfilled their fiduciary duties and duties of skill, care and diligence and there are no matters which may affect their suitability under Rules 3.08 and 3.09 of the Listing Rules in relation to the above incident, and were not aware of any material internal control deficiency in the Company's financial reporting process or any matters relating to the A-share Application which may affect the Company's suitability for the [**REDACTED**]. See "History, Reorganization and Corporate Structure – Previous Listing Attempt – Previous A-share Listing Attempt – Goodwill resulting from the MXQY Acquisition" for further details.

As our consolidated financial statements have been prepared in accordance with IFRS for the [**REDACTED**], our Directors believe that the above issue with respect to the MXQY Goodwill is no longer applicable or subsisting. The retrospective recognition of impairment loss of RMB347.6 million for the MXQY Goodwill in 2016 was only made during Canxing Culture's previous A-share Application under the then relevant circumstances as set out in "History, Reorganization and Corporate Structure — Previous Listing Attempt — Previous A-share Listing Attempt — Goodwill resulting from the MXQY Acquisition." The recognition of the impairment loss of RMB386.8 million in 2020 and the impairment loss of RMB380.7 million in 2021 for the MXQY Goodwill were based on our annual impairment test on goodwill conducted for the Track Record Period in compliance with IFRS, in carrying out which we had adjusted the expected revenue generated from MXQY due to several factors including, among others, the expected decrease in market price for music copyright licensing, COVID-19 pandemic and its adverse impact on certain offline entertainment events hosted by us, expiry of contracts with certain artists we managed and change in our settlement and licensing arrangements with certain online music platforms. For further details of our annual impairment tests on goodwill conducted for the Track Record Period, see "Financial Information — Discussion of Certain Balance Sheet Items — Assets — Goodwill" in this document and Note 16 to the Accountants' Report included in Appendix I to this document.

Our Reporting Accountants conducted their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the purposes of expressing an opinion on the Historical Financial Information as a whole, which is prepared based on the underlying financial statements of the Group for the Track Record Period. The underlying financial statements were prepared by the directors of the Company in accordance with IFRS.

KEY OPERATING DATA

The number of our variety program IPs was 60, 70, 80 and 84 as of December 31, 2019, 2020, 2021 and June 30, 2022; the number of our music IPs was 7,070, 7,652, 8,522 and 8,549 as of December 31, 2019, 2020 and 2021, and June 30, 2022; the number of our film and drama series IP remained stable at 757 as of December 31, 2019 and 2020, respectively, increased to 758 after we concluded the production of our first drama series, "Reading Class," as of December 31, 2021 and remained stable at 758 as of June 30, 2022.

The table below sets forth the average viewership ratings of our major TV variety programs released during the Track Record Period.

No.	Year of release	Program Name	Average viewership rating
1.	2019	Sing! China 2019 (中國好聲音2019)	1.75%
2.	2019	China's Got Talent 2019 (中國達人秀2019)	1.3%
3.	2019	Guess the Singer! 2019 (蒙面唱將猜猜猜2019)	1.20%
4.	2019	"A Class" (同一堂課)	0.25%
5.	2020	Sing! China 2020 (中國好聲音2020)	2.52%
6.	2020	Guess the Singer! 2020 (蒙面唱將猜猜猜2020)	1.45%
7.	2020	The Great Wall 2020 (了不起的長城 2020)	1.16%
8.	2020	King Cross 2020 (跨界歌王 2020)	1.02%
9.	2020	Guess the Dancer! 2020 (蒙面舞王2020)	0.86%
10.	2021	Sing! China 2021 (中國好聲音2021)	2.32%
11.	2021	Guess the Dancer! 2021 (蒙面舞王2021)	1.42%

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this document. The summary of consolidated financial data set forth below should be read together with the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Summary of Key Statements of Profit or Loss Items

The table below sets forth selected consolidated statements of profit or loss items for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB in millions, except for percentages)									
							(unaudited)			
Revenue	1,806.6	100.0%	1,559.9	100.0%	1,126.7	100.0%	154.6	100.0%	182.6	100.0%
Cost of sales	(1,101.7)	(61.0%)	(972.5)	(62.3%)	(852.4)	(75.7%)	(97.9)	(63.3%)	(126.1)	(69.1%)
Gross profit	704.9	39.0%	587.4	37.7%	274.3	24.3%	56.7	36.7%	56.5	30.9%
Impairment of goodwill	–	–	(386.8)	(24.8%)	(380.7)	(33.8%)	–	–	–	–
Profit/(loss) before tax	441.5	24.4%	38.4	2.5%	(327.4)	(29.1%)	(18.2)	(11.8%)	(12.3)	(6.7%)
Income tax expense	(61.3)	(3.4%)	(66.2)	(4.2%)	(24.3)	(2.2%)	(7.2)	(4.7%)	(1.1)	(0.6%)
Profit/(loss) for the year/period	380.2	21.0%	(27.8)	(1.8%)	(351.7)	(31.2%)	(25.4)	(16.4%)	(13.4)	(7.3%)
Attributable to:										
Owners of the parent	323.4	17.9%	(8.1)	(0.5%)	(345.0)	(30.6%)	(21.8)	(11.9%)	(11.9)	(6.5%)
Non-controlling interests	56.8	3.1%	(19.7)	(1.3%)	(6.8)	(0.6%)	(3.6)	(2.0%)	(1.5)	(0.8%)
	380.2	21.0%	(27.8)	(1.8%)	(351.7)	(31.2%)	(25.4)	(13.9%)	(13.4)	(7.3%)

Non-IFRS Measures

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

We define adjusted net profit/(loss) (non-IFRS measures) as profit/(loss) for the year/ period adjusted for (i) equity-settled share award expense and (ii) [**REDACTED**] expenses. Equity-settled share award expenses, which are non-cash in nature, consist of expenses arising from granting restricted stock units to eligible individuals under our share award scheme. [**REDACTED**] expenses mainly include professional fees paid to legal advisors and the Reporting Accountants for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. We define adjusted net profit/(loss) margin (non-IFRS measures) as adjusted net profit/(loss) (non-IFRS measures) divided by revenue. The table below sets forth our adjusted net profit/(loss) (non-IFRS measures) and adjusted net profit/(loss) margin (non-IFRS measures) for the periods indicated.

	For year ended December 31,			**For the six months ended June 30,**	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in millions, except for percentages)			*(unaudited)*	
Profit/(loss) for the year/ period	380.2	(27.8)	(351.7)	(25.4)	(13.4)
Adjusted for:					
Equity-settled share award expense	26.0	27.5	27.4	27.4	–
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Adjusted net profit/(loss) (non-IFRS measures)	406.2	(0.3)	(304.3)	11.2	(6.3)
Adjusted net profit/(loss) margin (non-IFRS measures)	22.48%	(0.02%)	(27.01%)	7.24%	(3.45%)

We recorded adjusted net profit (non-IFRS measures) of RMB11.2 million for the six months ended June 30, 2021, after adjusting for equity-settled share award expense of RMB27.4 million, reflecting the recognition of equity-settled share award expenses during the six months ended June 30, 2021 associated with our Canxing ESOP Plan which was terminated in May 2021. We recorded adjusted net loss (non-IFRS measures) of RMB6.3 million for the six months ended June 30, 2022, primarily due to our net losses of RMB13.4 million in the period, mainly because we incurred administrative expenses of RMB51.5 million and selling and distribution expenses of RMB9.2 million in the six months ended June 30, 2022, while most of our revenue is recognized in the second half of each year, resulting from the seasonal factors affecting the entertainment industry. See "Financial Information — Key Factors Affecting Our Results of Operations — Seasonality."

Our adjusted net loss (non-IFRS measures) increased from RMB0.3 million in 2020 to RMB304.3 million in 2021, primarily because (i) our revenue decreased by 27.8% from RMB1,559.9 million in 2020 to RMB1,126.7 million in 2021, mainly due to a decrease in revenue generated from variety program IP production, operation, and licensing; and (ii) we recorded impairment of goodwill of RMB380.7 million in 2021 in connection with our acquisitions of MXQY based on our annual assessment of its operational performance.

We recorded adjusted net profit (non-IFRS measures) of RMB406.2 million in 2019, while we recorded adjusted net loss (non-IFRS measures) of RMB0.3 million in 2020, primarily because (i) our revenue decreased by 13.7% from RMB1,806.6 million in 2019 to RMB1,559.9 million in 2020, mainly attributable to the negative impact of COVID-19 on our variety program production; and (ii) we recorded impairment of goodwill of RMB386.8 million in 2020 in connection with our acquisitions of MXQY based on our annual assessment of its operational performance.

We recorded adjusted net profit margin (non-IFRS measures) of 7.24% for the six months ended June 30, 2021 and adjusted net loss margin (non-IFRS measures) of 3.45% for the six months ended June 30, 2022, primarily because we have adjusted net profit (non-IFRS measures) of RMB11.2 million for the six months ended June 30, 2021 and adjusted net loss (non-IFRS measures) of RMB6.3 million for the same period in 2022. Our adjusted net loss margin (non-IFRS measures) increased from 0.02% in 2020 to 27.01% in 2021, primarily due to an increase in our adjusted net loss (non-IFRS measures) from RMB0.3 million in 2020 to RMB304.3 million in 2021. We recorded adjusted net profit margin (non-IFRS measures) of 22.48% in 2019 and adjusted net loss margin (non-IFRS measures) of 0.02% in 2020, primarily because we had adjusted net profit (non-IFRS measures) of RMB406.2 million in 2019 and adjusted net loss (non-IFRS measures) of RMB0.3 million in 2020.

Revenue

Our revenue increased by 18.1% from RMB154.6 million for the six months ended June 30, 2021 to RMB182.6 million for the same period in 2022, primarily due to an increase in revenue generated from variety program IP production, operation, and licensing, mainly attributable to the increase in the number of episodes of the new variety programs we launched in the six months ended June 30, 2022 as compared to the same period in 2021. Our revenue decreased by 27.8% from RMB1,559.9 million in 2020 to RMB1,126.7 million in 2021, primarily due to (i) a decrease in revenue generated from variety program IP production, operation, and licensing, primarily because the number of super large variety programs we produced decreased from eight in 2020 to seven in 2021, and our revenue generated from "Sing! China" decreased, mainly resulting from a decrease in the advertising budget of corporate customers, primarily due to the negative impact of COVID-19 pandemic on the economic environment, and policy or economic changes that adversely affected certain industries such as after-school tutoring and smartphones; (ii) a decrease in revenue generated from music IP operation and licensing, primarily because we did not produce any subsequent season for "Guess the Singer!" program in 2021 and therefore produced less music IPs in association with "Guess the Singer!" program in 2021 than in 2020; and (iii) a decrease in revenue generated from film and drama series IP operation and licensing, primarily because we entered into a multi-year film IP licensing contract with a leading short video platform in China in 2020 and recognized licensing revenue of approximately RMB102.5 million in 2020 during the Track Record Period. Our revenue decreased by 13.7% to RMB1,559.9 million in 2020 from RMB1,806.6 million in 2019, mainly due to a decrease in our revenue generated from variety program IP production, operation, and licensing, primarily reflecting the negative effect of COVID-19 and an industry-wide decrease in the size of China's variety program market. Such decrease is mainly due to (i) our revenue generated from "Sing! China" decreased, mainly due to high economic and business uncertainty under the negative effect of COVID-19; (ii) we did not produce any subsequent season for "China's Got Talents 2019" or "CHUANG" in 2020, resulting from changes in the investing media platform's production budget and broadcasting plan and schedules; and (iii) cancellation of offline entertainment events due to the COVID-19 pandemic.

Profit/(loss) for the year/period

Our net losses decreased from RMB25.4 million for the six months ended June 30, 2021 to RMB13.4 million for the six months ended June 30, 2022, primarily due to the recognition of equity-settled share award expenses during the six months ended June 30, 2021 associated with our Canxing ESOP Plan which was terminated in May 2021. Our net losses increased from RMB27.8 million in 2020 to RMB351.7 million in 2021, primarily due to a decrease in our revenue generated from variety program IP production, operation, and licensing and impairment of goodwill. We recorded net loss of RMB27.8 million in 2020, while we recorded net profit of RMB380.2 million in 2019, primarily due to (i) the impairment of goodwill of RMB386.8 million we recorded in 2020 in connection with our acquisitions of MXQY based on that our assessment of its operational performance, and (ii) a decrease in revenue generated from variety programs under the revenue sharing model from RMB948.2 million in 2019 to RMB571.4 million in 2020, mainly reflecting the negative impact of COVID-19 and an industry-wide decrease in the market size of China's variety program market.

Other Income and Gains

The table below sets forth a breakdown of our other income and gains for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions)				
				(unaudited)	
Bank interest income	5.6	9.1	8.2	5.0	3.7
Government grants	42.2	42.1	29.7	15.1	3.7
Interest income from loan receivable	–	0.3	1.0	0.5	–
Gain on lease termination	1.1	–	0.7	0.1	–
Gain on disposal of associates	–	–	0.1	–	–
Gain on disposal of a subsidiary	–	–	–	–	1.6
Others[(1)]	17.5	1.6	0.2	0.9	0.4
Total	66.4	53.1	39.9	21.6	9.4

Note:

(1) Consists primarily of amounts recovered from litigations and foreign exchange gains.

Our other income decreased by 56.5% from RMB21.6 million for the six months ended June 30, 2021 to RMB9.4 million for the six months ended June 30, 2022, primarily due to a decrease in government grants. Our other income and gains decreased by 24.9% to RMB39.9 million in 2021 from RMB53.1 million in 2020, primarily due to a decrease in government grants. Our other income and gains decreased by 20.0% to RMB53.1 million in 2020 from RMB66.4 million in 2019, primarily because in 2019 we received compensation payments in the aggregate amount of RMB12.7 million in concluded litigations.

Cost of Sales

The table below sets forth a breakdown of our cost of sales for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentages)									
							(unaudited)			
Variety program IP production, operation, and licensing	971.0	88.1%	886.3	91.1%	763.3	89.5%	55.5	56.7%	107.5	85.2%
Music IP operation and licensing	37.2	3.4%	34.5	3.5%	33.0	3.9%	17.9	18.3%	7.0	5.6%
Film and drama series IP operation and licensing	34.1	3.1%	16.7	1.7%	30.4	3.6%	15.0	15.3%	5.5	4.4%
Other IP-related business[(1)]	59.4	5.4%	35.0	3.7%	25.7	3.0%	9.5	9.7%	6.1	4.8%
Total	1,101.7	100.0%	972.5	100.0%	852.4	100.0%	97.9	100.0%	126.1	100.0%

Note:

(1) Other IP-related business includes artist management, concert organization and production, and others.

Our cost of sales increased by 28.8% from RMB97.9 million for the six months ended June 30, 2021 to RMB126.1 million for the six months ended June 30, 2022, primarily because cost of sales associated with variety program IP production, operation, and licensing increased by 93.7% from RMB55.5 million for the six months ended June 30, 2021 to RMB107.5 million for the same period in 2022. Our cost of sales decreased by 12.3% to RMB852.4 million in 2021 from RMB972.5 million in 2020, primarily because (i) cost of sales associated with variety program IP production, operation, and licensing decreased by 13.9% from RMB886.3 million in 2020 to RMB763.3 million in 2021; (ii) cost of sales associated with music IP operation and licensing decreased by 4.3% from RMB34.5 million in 2020 to RMB33.0 million in 2021; (iii) cost of sales associated with film and drama series IP operation and licensing increased by 82.0% from RMB16.7 million in 2020 to RMB30.4 million in 2021; and (iv) cost of sales associated with our other IP-related business decreased by 26.6% from RMB35.0 million in 2020 to RMB25.7 million in 2021. Our cost of sales decreased by 11.7% to RMB972.5 million in 2020 from RMB1,101.7 million in 2019, primarily because (i) cost of sales associated with variety program IP production, operation, and licensing decreased by 8.7% to RMB886.3 million in 2020 from RMB971.0 million in 2019; (ii) cost of sales associated with music IP operation and licensing decreased by 7.3% from RMB37.2 million in 2019 to RMB34.5 million in 2020; (iii) cost of sales associated with film and drama series IP operation and licensing decreased by 51.0% from RMB34.1 million in 2019 to RMB16.7 million in 2020; and (iv) cost of sales associated with other IP-related business decreased by 41.1% from RMB59.4 million in 2019 to RMB35.0 million in 2020.

We incurred a higher selling and distribution expenses and administration expenses as a percentage of revenue in the six months ended June 30, 2021 and 2022, mainly due to the seasonal factors affecting the entertainment industry and as a result, most of our revenue is recognized in the second half of each year. See "Financial Information — Key Factors Affecting Our Results of Operations — Seasonality."

Selected Consolidated Balance Sheet Items

The following table sets forth selected information from our consolidated balance sheet as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
Total non-current assets	2,978.2	2,546.2	2,720.9	2,883.3
Total current assets[1]	2,303.9	2,558.8	1,821.8	1,559.4
Total assets	5,282.1	5,105.0	4,542.7	4,442.7
Total non-current liabilities	16.0	18.3	13.5	66.8
Total current liabilities	620.5	495.7	471.2	343.6
Total liabilities	636.5	514.0	484.7	410.4
Equity attributable to owners of the parent	3,936.1	3,899.5	3,999.2	4,012.0
Non-controlling interests	709.5	691.5	58.8	20.3
Total equity	4,645.6	4,591.0	4,058.0	4,032.3
Net current assets	1,683.4	2,063.1	1,350.6	1,215.8

Note:

(1) Including the amount due from related parties of RMB335.6 million, RMB315.4 million, RMB183.8 million and RMB189.1 million as of December 31, 2019, 2020, 2021 and June 30, 2022. The amount due from related parties as of June 30, 2022 comprises solely of our amount due from Mengxiang Qi'an Culture Development (Shanghai) Co., Ltd. (夢響啟岸文化發展(上海)有限公司) ("Mengxiang Qi'an"), which is the portion of our investment in Mengxiang Qi'an that is surplus to its registered capital. We do not plan to settle this amount due from Mengxiang Qi'an prior to or upon the [**REDACTED**]. For more details about our material related party transactions, see "Financial Information — Material Related Party Transactions" and Note 38 to the Accountants' Report included in Appendix I to this document.

See "Financial Information — Discussion of Certain Balance Sheet Items" for further details.

Our net current assets slightly decreased from RMB1,350.6 million as of December 31, 2021 to approximately RMB1,215.8 million as of June 30, 2022, mainly due to (i) a decrease in trade and notes receivables primarily resulting from the collection of trade receivables of variety programs produced in 2021, and (ii) a decrease in our cash and cash equivalents.

Our net current assets decreased from approximately RMB2,063.1 million as of December 31, 2020 to approximately RMB1,350.6 million as of December 31, 2021, mainly due to (i) a decrease in our cash and cash equivalents, and (ii) a decrease in trade and notes receivables primarily due to the collection of trade receivables of variety programs produced in 2020.

Our net current assets increased from approximately RMB1,683.4 million as of December 31, 2019 to approximately RMB2,063.1 million as of December 31, 2020, mainly due to (i) an increase in cash and cash equivalents of approximately RMB251.7 million, (ii) a decrease in interest-bearing bank borrowings of approximately RMB85.0 million, and (iii) a decrease in other payables and accruals of approximately RMB85.0 million.

Our net assets slightly decreased from RMB4,058.0 million as of December 31, 2021 to RMB4,032.2 million as of June 30, 2022, mainly due to our capital reduction by non-controlling shareholders of RMB19.6 million in the six months ended June 30, 2022. Our net assets decreased from RMB4,591.0 million as of December 31, 2020 to RMB4,058.0 million as of December 31, 2021, mainly due to our total comprehensive loss of RMB364.3 million in 2021 and our dividends declared to the then shareholders of a subsidiary of RMB194.8 million in 2021. Our net assets decreased from RMB4,645.7 million as of December 31, 2019 to RMB4,591.0 million as of December 31, 2020, primarily due to our total comprehensive loss of RMB83.9 million in 2020.

Summary of Consolidated Statements of Cash Flows

The table below sets forth a summary of our cash flows for the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions)				
				(unaudited)	
Net cash flows from operating activities	516.3	398.2	409.2	231.0	80.1
Net cash flows used in investing activities	(43.9)	(16.0)	(584.8)	(556.1)	(167.9)
Net cash flows used in financing activities	(98.3)	(100.3)	(176.9)	(84.6)	(24.1)
Net increase/(decrease) in cash and cash equivalents	374.1	281.9	(352.5)	(409.7)	(111.9)
Cash and cash equivalents at the beginning of the year	275.1	651.7	903.4	903.4	547.2
Effect of foreign exchange rate changes, net	2.5	(30.2)	(3.7)	(0.3)	2.6
Cash and cash equivalents at the end of the year/period	651.7	903.4	547.2	493.4	437.9

We recorded net operating cash inflows of RMB516.3 million, RMB398.2 million and RMB409.2 million in 2019, 2020 and 2021, respectively, and RMB231.0 million and RMB80.1 million for the six months ended June 30, 2021 and 2022, respectively. See "Financial Information — Liquidity and Capital Resources — Cash Flows" for further details of our cash flows.

KEY FINANCIAL RATIOS

The table below sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
Profitability ratios					
Gross profit margin	39.0%	37.7%	24.3%	36.7%	30.9%
Net profit/(loss) margin	21.0%	(1.8%)	(31.2%)	(16.4%)	(7.3%)

	As of December 31,			As of June 30,
	2019	2020	2021	2022
Liquidity ratios				
Current ratio(1)	3.7	5.2	3.9	4.5
Quick ratio(2)	3.7	4.9	3.6	4.1
Capital adequacy ratio				
Debt to equity ratio(3)	N.A.	N.A.	N.A.	N.A.
Gearing ratio(4)	4.3%	2.5%	0.1%	0.5%

Notes:

(1) Calculated based on total current assets divided by total current liabilities as of the dates indicated.

(2) Calculated based on total current assets less inventories and program copyrights divided by total current liabilities as of the dates indicated.

(3) Calculated based on net debt (consisting of interest-bearing bank loans, lease liabilities, amount due to related parties deducting restricted cash and cash and cash equivalents) divided by total equity as of the dates indicated multiplied by 100%. We had a net cash position as of December 31, 2019, 2020 and 2021, and June 30, 2022, respectively.

(4) Calculated based on total debt (consisting of interest-bearing bank loans, lease liabilities, and amount due to related parties) divided by total equity as of the dates indicated multiplied by 100%.

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers primarily included: (i) TV networks and online video platforms that engage us to produce and distribute variety programs; (ii) advertisers seeking to promote their products and services through product placements or TV commercials; (iii) music service providers that license our music IPs; (iv) TV networks and online video platforms that license our films or engage us to produce and distribute drama series; (v) corporate customers, advertising agencies and media platforms that engage us and our managed artists for concerts, tours, and in-person appearances; (vi) students who enroll in our arts education program or attend our arts training classes; and (vii) consumer products brands that license our IPs.

The following table sets out a breakdown of our revenue by customer type for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentages)									
							(unaudited)			
TV networks[1]	686.0	38.0%	568.4	36.4%	259.8	23.1%	24.7	16.0%	2.2	1.2%
Online video platforms[2]	577.7	32.0%	493.2	31.6%	569.2	50.5%	16.0	10.4%	121.9	66.7%
Music service providers[3]	239.1	13.2%	217.3	13.9%	118.3	10.5%	45.2	29.2%	19.5	10.7%
Customers of our films and drama series IP operation and licensing business	115.0	6.4%	174.2	11.2%	86.4	7.7%	22.4	14.5%	13.7	7.5%
Customers of our Artist management service	51.7	2.9%	42.7	2.7%	15.0	1.3%	5.6	3.6%	6.4	3.5%
Others[4]	137.1	7.6%	64.2	4.1%	78.0	6.9%	40.6	26.3%	18.8	10.3%
Total	1,806.6	100.0%	1,559.9	100.0%	1,126.7	100.0%	154.6	100.0%	182.6	100.0%

Notes:

(1) Represents revenue from TV networks and revenue from payments directly paid by advertising clients for TV variety programs.

(2) Represents revenue from online video platforms and revenue from payments directly paid by advertising clients for made-for-internet variety programs.

(3) Represents revenue from online music platforms, karaoke operators, mobile value-added services providers and other companies that provide cultural or media service who license our music IPs.

(4) Represents revenue from companies that license our variety program IPs for offline entertainment events, students who enroll in our arts education program or attend our arts training classes, consumer products bands that license our IPs, and other customers of our other IP-related business.

For the years ended December 31, 2019, 2020 and 2021, and the six months ended June 30, 2022, our revenues attributable to our five largest customers in each year/period during the Track Record Period were RMB1,366.1 million, RMB1,087.9 million, RMB867.1 million and RMB142.4 million, respectively, which accounted for approximately 75.6%, 69.7%, 77.0% and 78.0% of our total revenue for the corresponding periods, respectively. For details, see "Business — Our Customers."

During the Track Record Period, our suppliers primarily consisted of (i) media platforms and advertising agencies that provide us with time slots for commercials; (ii) third-party service providers providing production services for our variety programs; (iii) talent coordination companies or media platforms for program casting; and (iv) composers and lyricists who license their rights to us. For the years ended December 31, 2019, 2020 and 2021, and the six months ended June 30, 2022, our purchases attributable to our five largest suppliers in each year/period during the Track Record Period were RMB172.3 million, RMB176.3 million, RMB174.8 million and RMB40.0 million, respectively, which accounted for approximately 16.3%, 18.4%, 22.1% and 32.4% of our total purchase for the corresponding periods, respectively. For details, see "Business — Our Suppliers."

IMPACT OF COVID-19

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. Since early 2020, mainland China and certain other regions and countries where we operate have been affected by the COVID-19 outbreak and, in response, governments have implemented, among other measures, restrictions on mobility and travel and cancellation of public activities, to contain the spread of the virus. Such measures resulted in a decline of the global entertainment market as well as the movie market in China in 2020. The global entertainment market experienced growth with a CAGR of 5.8% between 2017 and 2019, reaching US$370.7 billion in 2019. In 2020, global entertainment market decreased by 9.7% to US$334.6 billion due to the negative influence of COVID-19. The number of movie audience recorded considerable growth between 2017 and 2019, resulting in an increase of market size from RMB61.1 billion in 2017 to RMB75.7 billion in 2019. Due to the COVID-19 pandemic, especially social distancing measures such as temporary closure of theaters, the movie market in China plummeted in 2020 with a market size of RMB33.2 billion and increased in 2021 with a market size of RMB58.3 billion. Our business operations have also been impacted by delays in business activities and commercial transactions, decline in the entertainment market, and general uncertainties surrounding the duration of the governments' extended business and travel restrictions. For details, please see "Industry Overview — Global Entertainment Market and China Pan-Entertainment Market" and "Industry Overview — Drama Series and Movie Market in China."

During the first outbreak of the COVID-19 pandemic, various strict restrictions were implemented to halt the outbreak. As social and work gatherings were banned, mandatory quarantine requirements were imposed and public transportation was suspended in certain cities where our offices and facilities were located, a portion of our employees have been working remotely and our operations in those regions have been interrupted to the extent that onsite services of our employees were required. The ongoing business and travel restrictions have also significantly impacted the availability of participants of our variety programs, the uncertainty of which in turn affected the production and broadcasting schedules of pipeline programs and programs under production. As a result of the foregoing, several of our popular variety programs, such as "Sing! China" and "Street Dance of China," experienced a delay ranging from one to two months in their production and broadcasting schedules in 2020 and 2021, as compared to 2019. "Sing! China 2019," "Sing! China 2020" and "Sing! China 2021" were initially broadcast in mid-July 2019, late August 2020 and late July 2021, respectively. "Street Dance of China 2019," "Street Dance of China 2020" and "Street Dance of China 2021" were initially broadcast in mid-May 2019, mid-July 2020 and early August 2021, respectively.

In response to the outbreak, we took a series of measures to protect our employees and program participants, which incurred additional production cost. For example, we incurred additional cost in providing COVID-19 testing and paying for quarantine expenses for program participants as well as some of our employees during the production of several of our variety programs, including "Street Dance of China 2020" and "Sing! China 2020." Government measures on travel and closure of facilities prevented certain guest actors and actresses from attending the production process as well as the unavailability of certain production studios. For example, because of a resurgence of COVID-19 cases in the city where we were filming for "Sing! China 2021," we had to rent a production studio in another city and replicate the stage settings, which also incurred additional production cost.

In addition, the decline of the global entertainment market and the hampered business operation of corporate customers led to a decrease in their advertising budget, which had a negative impact on our revenue from variety program IP production, operation, and licensing. We had adjusted the expected revenue generated from MXQY partly due to the outbreak of COVID-19 and its adverse impact on our revenue from licensing of the right to host offline entertainment events and organizing of concerts. For details, please see "Financial Information — Discussion of Certain Balance Sheet Items — Assets — Goodwill" in this document. Our revenue decreased by 13.7% to RMB1,559.9 million in 2020 from RMB1,806.6 million in 2019, and further decreased to RMB1,126.7 million in 2021, due to high economic and business uncertainty under the negative effect of COVID-19 outbreak and the restrictions on mobility and travel. For details, please see "Financial Information — Period to Period Comparison of Results of Operations" in this document.

Furthermore, the travel restrictions resulted in the reduction in size or even cancellation of our concerts and offline events. For example, in 2020, we canceled a series of concerts under negotiation, including (i) the "China Music Awards Ceremonies (華語音樂榜中榜系列活動)," (ii) "Sing! China Macau Concerts (中國好聲音澳門演唱會)," (iii) a concert we organized for an e-commerce customer, and (iv) several other concerts we organized for customers in various industries, which resulted in a decrease in our revenue in 2020. As a result of the foregoing, our revenue generated from other IP-related business decreased by 30.1% from RMB112.0 million in 2019 to RMB78.3 million in 2020. For details, please see "Financial Information — Period to Period Comparison of Results of Operations" in this document.

Recently, there has been a resurgence of COVID-19 cases in certain parts of China due to the Delta and Omicron variants, which has caused local governments to tighten COVID-19-related restrictions and led to additional uncertainties in our business environment. A portion of our employees have been working remotely for more than a month. In addition, because of the resurgence of COVID-19 cases in Shanghai and its vicinity, where we plan to film for six of our variety programs, we had to find and rent production studios in cities located further from where we operate. In addition, our employees had to be quarantined when they traveled from Shanghai to the replacement production studios. Despite our efforts, the production and broadcasting schedules for at least five of our pipeline variety programs have been affected to various degrees. For example, the broadcasting schedule of "Sing! China 2022" and "Street Dance of China 2022" experienced a delay of about half a month and three months as compared to 2019, respectively.

There remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic. Should there be a resurgence of the virus, China may again take emergency measures to combat the spread of the virus, including travel restrictions, mandatory cessations of business operations, mandatory quarantines, work-from-home and other alternative working arrangements, and limitations on social and public gatherings and lockdowns of cities or regions. Such measures may have a long-term impact on our program production and schedules. In addition, bleak economic outlooks under the continuous impact of COVID-19 may also affect the confidence of corporate customers and may affect the advertising sales of our variety programs. Therefore, our Directors are of the view that the COVID-19 pandemic had a temporary adverse impact on our business operations and our financial performance in the short run, but is not expected to bring any permanent or material interruption to our operations. However, there can be no assurance that our business operations and financial performance will not be adversely affected, particularly if the COVID-19 pandemic continues for an extended period or gets worse in China. For more details, see "Risk Factors — Risks Relating to Our Business and Industries — Our business operations and financial performance have been affected by the COVID-19 outbreak."

COMPLIANCE AND LITIGATION

We may be subject to legal proceedings, investigations and claims arising in the ordinary course of our business from time to time.

Ongoing Litigations

As of the Latest Practicable Date, we were the defendant in two material pending litigations with an aggregate claim amount of approximately RMB127.0 million.

The ongoing litigation with MBC initiated in July 2020

In February 2016, we entered into an agreement with MBC (the "February 2016 Agreement"), under which MBC agreed to provide program licensing services in exchange for a program licensing fee of US$2.8 million per season to jointly produce seasons two to four of a variety program, "King of Mask Singer (蒙面歌王)," with us. Under the February 2016 Agreement, MBC shall license the program format of "King of Mask Sing" to us. We shall have the exclusive right to use the original program format to produce a Chinese version of "King of Mask Singer" seasons two to four, which is scheduled to be made in 2016, 2017 and 2018, respectively. MBC agreed to send a team of its production professionals, including directors, lighting designers, cinematographers and production designers, to China to provide consulting services to us during our program production and participate in the program production. We were entitled to up to 12 on-site consultations with MBC's directors during the term of the contract, and the other professionals were obligated to participate in the production of all episodes of the three programs. The fee for the license of the program format and for the production consulting services was US$2.8 million per season. We paid MBC a down payment of US$4.2 million. We would co-own the copyrights and neighboring rights of "King of Mask Singer" seasons two to four with MBC.

In June 2016, the NRTA issued a notice that limited the number of programs based on foreign program format that can be broadcast on satellite TV networks to one per year. This limitation also applies to programs co-developed with foreign parties in which the Chinese party does not own the intellectual property rights in the program. Against this background, we and MBC entered into a supplemental agreement in October 2016 (the "Supplemental Agreement"). Under the Supplemental Agreement, parties clarified that the service to be provided under the February 2016 Agreement was production consulting services and parties agreed to co-develop a music variety program in 2016, as well as two subsequent seasons. The fee that MBC is entitled to was lowered to US$1.6 million for the program to be produced in 2016. MBC agreed to return the remaining US$2.6 million of our down payment, which was used to settle our down payment for "Outdoor Reality Show (戶外真人秀)." The copyright of the program to be produced in 2016 would belong to us, including but not limited to the program format, logo and program name. The Supplemental Agreement provided that the obligations for both parties would not apply to any subsequent seasons of the music variety program if we could not obtain the written approval from competent government authorities approving joint development of variety programs by Chinese companies and Korean companies. As such written approval was not obtained in 2017 or 2018, we did not produce any subsequent seasons or pay production consulting services fee to MBC in this regard. Despite the signing of the Supplemental Agreement and the down payment of US$1.6 million we paid, MBC failed to provide the production consulting services for the music variety program as agreed.

From 2016 to 2018, we developed and produced "Guess the Singer! 2016," "Guess the Singer! 2017" and "Guess the Singer! 2018" without the involvement of MBC. In July 2020, MBC brought a lawsuit against us to the Primary People's Court of Xuhui District of Shanghai Municipality for breach of contract, claiming an aggregate amount of approximately RMB110.0 million from us, consisting of (i) program licensing fee, (ii) revenues generated from the licensing of broadcasting rights, advertising sales, and licensing of tie-in merchandise in relation to "Guess the Singer! 2016," "Guess the Singer! 2017" and "Guess the Singer! 2018" which we produced, and (iii) damages for breach of contract, liquidated damages for late payment and litigation expenses. In January 2021, we filed a counterclaim against MBC, requesting MBC to return the US$1.6 million we paid as part of the down payment and to pay us US$480,000 in damages for breach of contract. As of the Latest Practicable Date, the lawsuit was in the first instance and the court did not render judgment on this case. As advised by our litigation counsel, the court is expected to enter into judgment in 2022.

Our Directors are of the view that this ongoing lawsuit would not have a material impact on our operations or financial condition because as advised by our PRC Legal Advisor and our litigation counsel, (i) the claims of MBC are without merits; (ii) the claims of MBC only involve disputes regarding contract payments under the "February 2016 Agreement" and the "Supplemental Agreement," and do not involve our ownership of intellectual property rights in "Guess the Singer! 2016," "Guess the Singer! 2017," or "Guess the Singer! 2018;" (iii) we independently produced "Guess the Singer! 2016," "Guess the Singer! 2017," and "Guess the Singer! 2018," which are our original variety programs, and have the copyright in the trademarks, program scripts, and program settings in association with such programs; (iv) the aggregate amount demanded by MBC in the "King of Mask Singer" case is approximately RMB110.0 million; even if the courts award any damages to MBC in the final judgment, we would have sufficient resources to pay any damages related to the lawsuit considering our sizable revenue and sufficient cash on hand; (v) in our past contract disputes with MBC, MBC had consistently claimed a much higher amount than what was awarded in the final settlement or judgment; for example, in our concluded contract dispute with MBC in 2020 regarding the first season of "King of Mask Singer," MBC's initial claim is more than six times the amount awarded to it by China International Economic and Trade Arbitration Commission (CIETAC), and in our concluded contract dispute with MBC in 2019 regarding "Great Challenge (了不起的挑戰)," MBC's initial claim is more than six times the amount awarded by the First Intermediate People's Court of Shanghai Municipality; and in our concluded contract dispute with MBC in 2022 regarding "Outdoor Reality Show," MBC's initial claim is more than four times the amount awarded by the First Intermediate People's Court of Shanghai Municipality and the Shanghai High People's Court; (vi) we do not have on-going cooperation arrangements with MBC since November 2016; and (vii) SH Xingtou, SH Zhouxing and Mr. Tian have provided an undertaking to jointly and severally indemnify us, in proportion to their respective shareholding percentage in Canxing Culture, against any losses arising from this ongoing litigation with MBC to the extent of the amount awarded in the final judgment or settlement of this litigation.

Because MBC's claims are without merits, and the amount claimed by MBC is unreasonably high and groundless, our litigation counsel has advised us that the possibility that the competent court will support such amount in full is remote. Based on the foregoing, we did not make provision for this ongoing lawsuit.

The ongoing litigation with Hummingbird Music Ltd. (蜂鳥音樂有限公司, or "Hummingbird")

In 2016, an artist participated in the production of three episodes of "Heroes of Remix (蓋世英雄)". In July 2022, the artist's then management company, Hummingbird, brought a lawsuit against us at the Primary People's Court of Changning District of Shanghai, claiming performance service fee of RMB16.3 million and attorney's fee of RMB200,000. We are actively defending ourselves against Hummingbird's claims based on the argument that the parties did not reach an agreement and enter into a legally-binding contract. As of the Latest Practicable Date, the lawsuit was in the first instance and the court did not render judgment on this case.

We did not pay the artist as the artist had not asserted the right to payment for performance. We have maintained a good cooperative relationship with the artist, who participated in two variety programs we produced in 2021 and 2022 after "Heroes of Remix." For both programs, we paid the performance fees to the artist' current management company without any disputes.

As advised by our litigation counsel, the claims by Hummingbird are without merits, on the basis that, (i) Hummingbird's claims are time-barred; (ii) there was no effective performance contract between Hummingbird and us; and (iii) Hummingbird does not have the right to receive performance service fee on behalf of the artist, as its management contract with the artist had terminated several years before Hummingbird brought this lawsuit. Our litigation counsel further advised us that the amount claimed by Hummingbird in the lawsuit is unreasonably high and groundless, and the likelihood that the competent court will support such amount in full is remote. Based on the foregoing, we did not and will not make provision for this ongoing litigation.

Our Directors are of the view that this ongoing lawsuit would not have a material adverse impact on our operations or financial condition, because (i) as advised by our litigation counsel, the claims of Hummingbird are without merits; (ii) the claims of Hummingbird only involve dispute regarding contract payment and do not involve our ownership of intellectual property rights in the relevant variety program; (iii) even if the court awards any damages to Hummingbird in the final judgment, we would have sufficient resources to pay any damages related to the lawsuit considering our sizable revenue and sufficient cash on hand; (iv) we had not have on-going cooperation arrangements with Hummingbird since 2016; and (v) SH Xingtou, SH Zhouxing and Mr. Tian have provided an undertaking to jointly and severally indemnify us, in proportion to their respective shareholding percentage in Canxing Culture, against any losses arising from this ongoing litigation with Hummingbird to the extent of the amount awarded in the final judgment or settlement of this litigation.

Concluded Litigations and Arbitration

During the Track Record Period and up to the Latest Practicable Date, we were involved in the following concluded material litigations and arbitration.

The litigation with MBC concluded in August 2022

In October 2016, we entered into an agreement with MBC, under which MBC agreed to jointly develop a variety program, "Outdoor Reality Show (戶外真人秀)," with us (the "October 2016 Agreement"). Under the Agreement, we are the sole owner of the copyrights in

"Outdoor Reality Show." In the Supplemental Agreement we entered into with MBC in the same month, we and MBC agreed that RMB2.6 million of our down payment to MBC under the February 2016 Agreement was used to settle our payment to MBC under the October 2016 Agreement. However, MBC did not collaborate with us to develop "Outdoor Reality Show" or render us production consulting services as agreed after signing the agreements.

We initiated a lawsuit against MBC in April 2019 at the First Intermediate People's Court of Shanghai Municipality for a judgment ordering MBC to return us the production consulting services fee of US$2.6 million and pay the damages for breach of contract of US$520,000. In July 2020, MBC filed a counterclaim against us, claiming that it participated in the production of "Awesome Challenge — Amazing (我們的挑戰)," a variety program developed and produced by us. MBC claimed an aggregate amount of approximately RMB47.5 million from us, primarily covering production fee, penalty for breach of contract, and accrued interests for overdue payment. In September 2021, the First Intermediate People's Court of Shanghai Municipality, in its capacity as the court of first instance, ruled that MBC had partially participated in the production of the variety program "Awesome Challenge — Amazing." The court ordered us to pay production consulting services fee of RMB10.0 million and accrued interest for overdue payment to MBC. The court overruled other claims of MBC and ours. We had appealed against the judgment of the first instance on October 11, 2021. On November 11, 2021, we were notified that MBC had appealed against the judgment of the first instance on October 13, 2021. The Shanghai High People's Court, which is the court of the second instance, affirmed the ruling of the court of the first instance in August 2022. SH Xingtou, SH Zhouxing and Mr. Tian have provided an undertaking to jointly and severally indemnify us, in proportion to their respective shareholding percentage in Canxing Culture, against any losses arising from this litigation to the extent of the difference between the amount awarded in the final judgment of this litigation and the provision of RMB10.0 million, which we had made for this litigation as of the date of the undertaking. As of the Latest Practicable Date, we had not paid the RMB10.0 million awarded by the court, as we were awaiting MBC to provide us with its account information.

The arbitration with MBC concluded in April 2020

In May 2015, we entered into an agreement with MBC, under which we licensed the program format from MBC to produce "King of Mask Singer (蒙面歌王)" season one and entered into two supplemental agreements in the same month (collectively, the "May 2015 Agreement"). Under the May 2015 Agreement, we shall pay MBC a licensing fee for the program format and share with MBC the revenue of the program from advertising sales and broadcasting right licensing, after deducing costs in association with program production. We and MBC had disputes regarding how much MBC is entitled to with respect to the revenue generated from advertising sales of the program. In March 2019, the CIETAC accepted MBC's submission to arbitration for breach of the May 2015 Agreement. MBC claimed an aggregated amount of RMB35.0 million. In April 2020, the CIETAC awarded RMB5.8 million to MBC, which is less than one sixth of the amount claimed by MBC, and the arbitration was subsequently concluded.

The litigation with MBC concluded in June 2021

In June 2015, we entered into an agreement with MBC, under which we licensed the program format from MBC to produce "Great Challenge (了不起的挑戰)," and one supplemental agreement in May 2016 (collectively, the "June 2015 Agreement"). Under the June 2015 Agreement, we shall pay MBC a licensing fee for the program format and a production service fee, and share with MBC the revenue of the program from advertising sales and licensing of broadcasting rights, after deducing costs in association with program production. We and MBC had disputes regarding how much MBC is entitled to with respect to the revenue generated from advertising sales and broadcasting rights licensing of the program. In January 2019, MBC initiated a lawsuit against CCTV Creative Media Co., Ltd. (央視 創造傳媒有限公司) and us for breach of the June 2015 Agreement, with respect to the allocation of revenue from advertising sales and broadcasting right licensing of the program at the First Intermediate People's Court of Shanghai Municipality. MBC claimed an aggregate amount of RMB49.3 million. In June 2021, the First Intermediate People's Court of Shanghai Municipality awarded an aggregate amount of RMB8.1 million to MBC and the litigation was subsequently concluded.

We implemented internal control policy to better standardize our contracting process and to prevent the recurrence of similar disputes in 2016. Pursuant to the policy, (i) our legal team shall participate in whole process of contract negotiation and to identify potential legal risks; and (ii) our management shall oversee the performance and fulfillment of the contracts, and address potential problems in a timely manner. During the Track Record Period and up to the Latest Practicable Date, we did not enter any contracts which resulted in similar disputes in relation to program production.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this document, other than the continued impact of the COVID-19 pandemic as described above, there has been no material adverse change in our financial or operational positions or prospects since June 30, 2022, being the date on which our latest audited consolidated financial statements were prepared, and there has been no event since June 30, 2022 which would materially affect the information in the Accountants' Report set out in Appendix I to this document.

After June 30, 2022 and until the Latest Practicable Date, five variety programs were initially broadcast, which are "E-POP of China (超感星電音)," "Guess the Dancer! 2022," "Sing! China 2022," "Street Dance of China 2022" and "HAHA A Day (百川可逗鎮)." We released "E-POP of China" in July 2022 on Youku, which is a music variety program featuring electronic music, with 11 episodes. "Guess the Dancer! 2022," our dance variety program which is the third season of its series, was released in July 2022 on Jiangsu Satellite TV. "Sing! China 2022," our music competition show for singers and the eleventh season of its series, was released in August 2022 on Zhejiang Satellite TV. "Street Dance of China 2022," our street dance competition show and the fifth season of its series, was also released in August 2022 on Youku. "HAHA A Day" was released in late August 2022 on Douyin, which is a variety program featuring the search by program participants for ways to relieve stress in their daily life. During the same period in 2021, five variety programs were initially broadcast, which were "Let's Dance! 2021 (師父!我要跳舞了2021)," "Sing! China 2021," "Guess the Dancer! 2021," "Street Dance of China 2021," and "Likes! Talent."

We have 12 variety programs released or to be released subsequent to the Track Record Period, including the first season of six new variety programs and the new season of six existing variety programs. Among them, ten are super large variety programs. The table below sets forth the details of the five variety programs released and the seven variety programs to be released.

Genre	Program	Format	Frequency	Release time/ Expected release time	Primary broadcasting platform/ Planned primary broadcasting platform	Expected cooperation model
Music Variety Program						
1.	E-POP of China (超感星電音)	Music variety program featuring electronic music	Seasonal	July 2022	Youku	Revenue sharing model
2.	Remember Me (百川樂時空)	Music variety program featuring singers	Seasonal	4th quarter 2022	A top online video platform	Commissioned production model
3.	Guess the Singer! 2023	Guess the singer challenge	Seasonal	1st quarter 2023 or after	A leading satellite TV network	Revenue sharing model
4.	Sing! China 2022	Music competition show for singers	Seasonal	August 2022	Zhejiang Satellite TV	Revenue sharing model
5.	Program A	Outdoor music and culture variety program	Seasonal	4th quarter 2022	A top online video platform	Commissioned production model
Dance Variety Program						
6.	Guess the Dancer! 2022	Guess the dancer challenge	Seasonal	July 2022	Jiangsu Satellite TV	Revenue sharing model
7.	Street Dance of China 2022	Street dance competition show	Seasonal	August 2022	Youku	Revenue sharing model
8.	Great Dance Crew 2023	Dance variety program	Seasonal	1st quarter 2023	A top online video platform	Revenue sharing model

Genre	Program	Format	Frequency	Release time/ Expected release time	Primary broadcasting platform/ Planned primary broadcasting platform	Expected cooperation model
Talent Show						
9.	China's Got Talent 2023	Talent show	Seasonal	1st quarter 2023	A leading satellite TV network	Revenue sharing model
10.	HAHA A Day (百川可逗鎮)	Variety program featuring talents	Seasonal	August 2022	Douyin	Commissioned production model
11.	Program B	Outdoor variety program featuring talents	Seasonal	1st quarter 2023 or after	A top online video platform	Commissioned production model
Talk Show						
12.	Program C	Talk show	Seasonal	4th quarter 2022 or 1st quarter 2023	A leading satellite TV network or a top online video platform	Revenue sharing model

Recent Regulatory Developments

Regulations Relating to Cultural and Entertainment Content

In 2021, the government authorities issued several notices and circulars to further strengthen the management of cultural and entertainment programs and entertainment industry, including Notice on Further Strengthening the Regulation on Chaos in the "Fan Circle" (《關於進一步加強"飯圈"亂象治理的通知》) issued by the Office of the Central Cyberspace Affairs Commission in August 2021, and the Circular on Further Strengthening the Management of Cultural and Entertainment Programs and Industry Participants (《關於進一步加強文藝節目及其人員管理的通知》) issued by the National Radio and Television Administration in September 2021. For details, see "Regulations – Regulations in Relation to Production and Distribution of Television Programs – Content Review and Regulation." To the best knowledge and belief of our Directors, after the release of the circulars and notices and up to the Latest Practicable Date, our variety programs did not include any mechanisms which allow audience to purchase vote or encourage audience to spend money in shopping merchandise or subscribe membership to obtain votes, nor did our variety programs present any harmful information.

To better comply with the latest content and format requirement, we have taken a combination of measures, including: (i) keeping our director's team and technical team informed of the latest regulatory development so that they can all comply with the recent regulatory changes in the pre-production, production and post-production stages of the programs; (ii) conducting a thorough review of our pipeline programs to identify and remove any content that has potential non-compliance issues; (iii) regularly reviewing the marketing and promotional materials for our variety programs to identify and avoid any potential non-compliance issues; (iv) implementing internal policies to avoid potential issues related to "fan circle" and other activities prohibited by the recent notices; (v) keeping abreast of the development of the regulations and policies and keeping our artist management team informed of the latest regulatory development to identify and avoid potential issues related to "fan circle" in relation to their artist management activities; and (vi) instructing our legal team to pay special attention to the recent regulatory development in reviewing contracts, to identify and avoid potential non-compliance.

To comply with the above-mentioned regulatory requirements and policies, we canceled our plan to enter into the contract for a planned variety program. As we had not started the production process, we did not incur any loss for the canceled planned program. Our Directors believe that other than this canceled plan, all the variety programs in our program pipeline were in compliance with the recently published regulations, and we did not cancel or materially modify any other variety programs in our pipeline due to the regulatory developments as of June 30, 2022 and up to the Latest Practicable Date.

Our Directors, as advised by our PRC Legal Advisor, believe that the recent regulatory developments have not and will not materially affect our Group's operation and financial performance, because (i) other than the canceled plan mentioned above, the programs in our program pipeline did not fall under one of the categories that were prohibited under the recent regulatory developments; (ii) we did not incur loss for the canceled plan; and (iii) none of the variety programs we produced during the Track Record Period fall under one of the categories that were prohibited under the recent regulatory developments.

Based on the confirmation of our Company and the public search, our PRC Legal Advisor is of view that we had substantially complied with each of the above regulations and policies since they were implemented and up to the Latest Practicable Date.

Having taking into account the grounds as set out above and based on the due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors' view above in any material aspect.

Regulations Relating to Restriction of Wages

On October 31, 2018, the NRTA issued the Notice on Further Strengthening the Administration of Radio, Television and Online Audio-Visual Cultural and Art Programs (《關於進一步加強廣播電視和網路視聽文藝節目管理的通知》) (the "Maximum Wage Order"), which requires media platforms and content production companies to strictly enforce the requirement on the allocation of production cost such that the total remuneration of all actors and actresses for each variety program shall not exceed 40% of the total production cost, and the remuneration of the major actors and actresses shall not exceed 70% of the total remuneration of the actors and actresses. Content production companies and broadcasting platforms of variety programs shall submit reports disclosing the payments to all actors and principal actors to the competent authorities for review before the programs being launched.

We had been in compliance with the Maximum Wage Order since its implementation and the reports have been submitted in due course before the programs we produced are launched. Our legal department is responsible for reviewing the contracts with actors to ensure their compliance with the Maximum Wage Order. Our Directors, as advised by our PRC Legal Advisor, are of the view that the Maximum Wage Order has no material adverse impact on our operation and financial performance. During the Track Record Period and up to the Latest Practicable Date, we had not been subject of any review, inquiry, or investigation by any PRC regulatory authority pursuant to the Maximum Wage Order. Based on the above, we and our managed artists and their related entities had complied with the Maximum Wage Order in all material aspects during the Track Record Period.

Having taken into account the grounds as set out above and based on the due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors' view above in any material aspect.

As advised by our PRC Legal Advisor, according to the Legislative Law of the PRC, which provides that unless otherwise provided for relevant prescribed purposes, PRC laws, administrative regulations, local regulations, autonomous regulations, special regulations, administrative rules or local rules do not have retrospective effect, the above regulations and rules in relation to cultural and entertainment content and restriction of wages shall have no retrospective effect.

Regulations Relating to Artists Management

On May 20, 2022, the NRTA issued the Administrative Measures for Performance Agencies in the Field of Radio, Television and Online Audiovisual Platforms (《廣播電視和網絡視聽領域經紀機構管理辦法》). For details, see "Regulations – Regulations in Relation to Production and Distribution of Television Programs – Artists Management."

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge and belief of our Directors, we were in compliance with the requirements under the above-mentioned regulation and had not been the subject of any review, inquiry, investigation or punishment by any PRC regulatory authority pursuant to the above notice, and our Directors believe that this notice has not and will not materially affect our Group's operation and financial performance.

Having taken into account the grounds as set out above and based on the due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors' view above in any material aspect.

Regulations Relating to Anti-trust Control

In February 2021, the SAMR promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms (《關於平台經濟領域的反壟斷指南》), aiming to improve anti-monopoly administration on online platforms. On July 24, 2021, the SAMR issued an administrative decision to a certain online music platform, requiring it to relinquish its exclusive music licensing contracts held with its suppliers, which encourages distribution of music works on a wider selection of platforms. On January 6, 2022, the National Copyright Administration ("NCAC") held a regular talk with influential market players in the digital music industry, emphasizing that, among other things, online music platforms shall not sign exclusive music licensing contracts except under a limited number of special circumstances (collectively, with the Guidelines to Anti-Monopoly in the Field of Internet Platforms and the administrative decision issued by SAMR on July 24, 2021, the "Anti-trust Control Measures").

Our revenue attributable to non-exclusive music licensing agreements accounted for 13.1%, 20.9%, 62.2% and 100.0% of our revenue from music IP operation and licensing in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Our revenue attributable to exclusive music licensing agreements accounted for 86.9%, 79.1%, 37.8% and nil of our revenue from music IP operation and licensing in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

Since the Anti-trust Control Measures were implemented and up to the Latest Practicable Date, we had not been subject of any inquiries, comments, instructions, guidance, notices, warnings, sanctions, or investigations by any PRC regulatory authority pursuant to the Anti-trust Control Measures and were not identified as an online music platform. Based on the confirmation of our Company, our PRC Legal Advisor is of the view that we had substantially complied with the Anti-trust Control Measures since they were implemented and up to the Latest Practicable Date.

In light of the Anti-Trust Control Measures, we entered into a non-exclusive music licensing contract with a leading online music platform in China in September 2021, while we previously entered into an exclusive music licensing contract with this online music platform in 2018. The aggregate licensing fees under the new non-exclusive licensing contract are lower than those of the previous exclusive licensing contract, which was a factor that we considered when we determined a reduction in MXQY unit's recoverable amount in the goodwill impairment in 2021. For more details, see "Financial Information — Discussion of Certain Balance Sheet Items — Assets — Goodwill." Our Directors expect that granting non-exclusive licenses would allow us to enter into licensing contracts with more music service providers to expand our customer base and enhance our resilience to changes in the music market in China in the long term. In the short term, we do not expect such new non-exclusive licensing contracts to generate as much revenue as the exclusive contract in the past, as we expect the size of our cooperation with music service providers to remain relatively limited in the foreseeable future due to the shift from exclusive to non-exclusive.

Having taken into account the grounds as set out above and based on the due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors' view above in any material aspect.

Regulations Relating to Overseas Listing

On December 24, 2021, the CSRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行上市備案管理辦法(徵求意見稿)) (the "Draft Overseas Listing Filing Measures", collectively, the "Draft Regulations on Listing"). As of the Latest Practicable Date, the Draft Regulations on Listing were in draft form and had not come into effect.

The Draft Regulations on Listing, if adopted in its current form, will require that, among other things, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information with the CSRC. The issuer must submit to the CSRC filing documents within three working days after an application for initial public offering to competent overseas regulators is submitted.

At the press conference held for the Draft Regulations on Listing on December 24, 2021, officials from the CSRC clarified that implementation of the Draft Regulations on Listing will follow a non-retrospective approach, which indicates that only new initial public offerings and refinancing by existing overseas-listed Chinese companies will be required to go through the filing process to start with. In addition, the new regulations and rules will allow a proper transition period for other existing overseas-listed Chinese companies. Further, the officials from the CSRC confirmed that companies with VIE structure that comply with the applicable PRC laws and regulations can still conduct overseas offering and listing upon the completion of the requisite procedures.

Pursuant to the Draft Regulations on Listing, an overseas offering and listing of a PRC company is prohibited under any of the following circumstances, if (i) it is prohibited by PRC laws and regulations, (ii) it may constitute a threat to or endanger national security as determined by competent PRC authorities, (iii) it has material ownership disputes over equity, major assets, and core technology, (iv) in recent three years, the Chinese domestic companies and their controlling shareholders and actual controllers have committed relevant prescribed criminal offenses or are currently under investigations for suspicion of criminal offenses or major violations, (v) the directors, supervisors, or senior executives have been subject to administrative punishment for severe violations, or are currently under investigations for suspicion of criminal offenses or major violations, or (vi) it has other circumstances as prescribed by the State Council. As advised by our PRC Legal Advisors, as of the Latest Practicable Date, there are no explicit PRC laws and regulations currently in effect which prohibit us from [**REDACTED**] and [**REDACTED**] in an overseas stock exchange.

Furthermore, based on public search against our subsidiaries and Consolidated Affiliated Entities, their controlling shareholders and actual controllers, and their directors, supervisors and senior executives in the PRC conducted by our PRC Legal Advisor and to the best of our knowledge, as of the Latest Practicable Date, our subsidiaries and Consolidated Affiliated Entities, their controlling shareholders and actual controllers, as well as their respective directors, supervisors and senior executives in the PRC have not been involved in relevant criminal offences or administrative penalties that would prohibit us from conducting overseas [**REDACTED**] under the Draft Regulations on Listing.

According to our PRC Legal Advisor, as of the Latest Practicable Date, there are no laws, regulations or regulatory documents cited by the CSRC in effect that would explicitly subject us to filing procedures for our [**REDACTED**] in Hong Kong. NDRC clarified in a press conference held on January 18, 2022 that the scope of application of Article 6 of the Special Administrative Measures (Negative List) for Foreign Investment Market Access, 2021 Version (外商投資准入特別管理措施(負面清單)2021年版) (the "Negative List 2021") is limited to the direct overseas listing of domestic enterprises engaged in business in the areas of investment. According to the definition in the Draft Regulations on Listing, our proposed [**REDACTED**] is an indirect overseas issuance. In addition, during the Track Record Period, there have not been any material non-compliance incidents of our Company discovered from the review of the compliance status in relation to foreign investment, cybersecurity, and data security in all material aspects and we have duly performed our duty of safeguarding national security. As of the Latest Practicable Date, we had not received any inquiries, comments, instructions, guidance, notices, warnings, sanctions or other concerns regarding the overseas [**REDACTED**] plan or our Contractual Arrangements from the CSRC or any other PRC government authorities in terms of our compliance with the proposed filing requirement under the Draft Regulations on Listing.

Once the Draft Regulations on Listing are promulgated and implemented, we will, if necessary, immediately comply with the filing procedures in effect. Considering the above, our Directors, as advised by our PRC Legal Advisor, are of the view that the Draft Regulations on Listing will not have a material and adverse impact on our business operations and the [**REDACTED**] if they are implemented in their current forms, and our Contractual Arrangements will not constitute a legal obstacle to [**REDACTED**] under the Draft Regulations on Listing. For further details, see "Regulations – Regulations in Relation to Overseas Listing" in this document.

Having taken into account the grounds as set out above and based on the due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors' view above in any material aspect.

Regulations in Relation to Data Privacy and Protection Regulation

On December 28, 2021, the Cyberspace Administration of China (the "CAC") jointly issued the Cybersecurity Review Measures with other government authorities, which became effective on February 15, 2022 ("Review Measures"). The Review Measures provide that a critical information infrastructure operator purchasing network products and services, and network platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. It also provides that a network platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review. However, the Review Measures do not provide the standard of "affect or may affect national security." As of the Latest Practicable Date, we were not identified as a "critical information infrastructure operator" by any governmental authorities.

On November 14, 2021, the CAC issued the "Regulations on the Administration of Cyber Data Security (Draft for Comments)" ("Draft Regulations") for public comment, which applies to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. For details, see "Regulations – Regulations in Relation to Data Privacy and Protection." As of the Latest Practicable Date, the Draft Regulations have not yet been formally promulgated and therefore not become effective.

We are committed to protecting the personal information and privacy of our registered users. Our IT department is responsible for the execution of cybersecurity and data protection measures and procedures. We have established a cybersecurity and data protection system pursuant to the Cybersecurity Law of the PRC, the Data Security Law of the PRC, the Personal Information Protection Law of the PRC and other relevant regulations laws. We require any access to or processing of personal information to go through a strict assessment and approval procedures and relevant personnel must sign confidentiality agreements in order to assure that only valid and legitimate requests are executed. In addition, we have implemented internal policies, such as internal policies on IT backup and recovery management system to keep the information safe and internal IT-related emergency response plan to prevent potential incidents or emergent accidents and make preparation and responses ahead.

During the Track Record Period and up to the Latest Practicable Date, our Company had not received any data security related enquiries and has not been subject to any notices, warnings, or sanctions imposed by any regulatory authorities due to cybersecurity concerns.

The Company's PRC Legal Advisor and the PRC legal advisors of the Joint Sponsors jointly conducted a phone consultation with the China Cybersecurity Review Technology and Certification Center (the "Center"). During the consultation, the Center confirmed that (i) it is an authorized department by CAC to conduct consultation for cybersecurity review-related issues, (ii) its responses are authorized by CAC and are allowed to be disclosed that the Company can refer to the consultation for implementations, (iii) the Draft Regulations are only draft for comments at present without legal effect, and (iv) the Company is not required to apply for a cybersecurity review in respect of its [**REDACTED**] in Hong Kong according to the Review Measures.

As such, our Directors, as advised by our PRC Legal Advisor, are of the view that the Company would be able to comply with the Review Measures and the Draft Regulations in all material aspects, and the Review Measures and the Draft Regulations will not have material adverse impact on the Company's operation and financial performance, assuming they are implemented in their current form.

Our PRC Legal Advisor has also advised us that, the scope of and threshold for determining what "affects or may affect national security" is still subject to uncertainty and further elaboration under the current effective PRC laws and regulations, and the PRC regulatory authorities have discretion in interpreting the regulations. We will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection, and adjust and enhance our data practices in a timely manner to ensure compliance once the regulations come into effect.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**] EXPENSES

Our [**REDACTED**] expenses mainly include [**REDACTED**], professional fees paid to legal advisors and the Reporting Accountants for their services and other fees incurred in connection with the [**REDACTED**] and the [**REDACTED**]. The estimated total [**REDACTED**] expenses (based on the mid-point of our indicative [**REDACTED**] range for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, excluding any discretionary incentive fee which may be payable by us) for the [**REDACTED**] are approximately RMB[**REDACTED**] million, representing [**REDACTED**]% of the [**REDACTED**]. The estimated total [**REDACTED**] expenses consist of (i) [**REDACTED**]-related expenses of RMB[**REDACTED**] million (approximately HK$[**REDACTED**] million), including [**REDACTED**] of RMB[**REDACTED**] million (approximately HK$[**REDACTED**] million) and sponsors fee of RMB[**REDACTED**] million (approximately HK$[**REDACTED**] million), and (ii) [**REDACTED**]-related expenses of RMB[**REDACTED**] million (approximately HK$[**REDACTED**] million), of which the professional fees paid to legal advisors and the Reporting Accountants amounted to RMB[**REDACTED**] million (approximately HK$[**REDACTED**] million) and other fees and expenses amounted to RMB[**REDACTED**] million (approximately HK$[**REDACTED**] million). During the Track Record Period, we incurred [**REDACTED**] expenses of RMB[**REDACTED**] million which was charged to the consolidated statements of profit or loss for the year ended December 31, 2021 and the six months ended June 30, 2022 as administrative expenses. We expect to incur additional [**REDACTED**] expenses of approximately RMB[**REDACTED**] which is expected to be recognized as administrative expenses subsequent to the Track Record Period. Approximately RMB[**REDACTED**] of the estimated [**REDACTED**] expenses is directly attributable to the issue of Shares and will be recognized as a deduction in equity directly upon the [**REDACTED**]. Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2022.

DIVIDEND POLICY

In 2021, our subsidiary, Fortune Star Media, declared dividends of US$30.0 million (equivalent to RMB194.8 million) to its then shareholder, CMC Asia, which had been fully paid by December 31, 2021. In the same year, our then subsidiary, Shanghai Canteng Culture & Media Co., Ltd. (currently known as Shanghai Heilai Music Co., Ltd.), declared dividends of RMB1.9 million to its non-controlling shareholders, which had been fully paid by December 31, 2021. See Note 11 to the Accountants' Report set forth in Appendix I to this document. Other than the above, no dividend was proposed, paid or declared by our Company or any of our subsidiaries during the Track Record Period.

According to our Articles of Association and applicable laws and regulations, the decision on whether to pay dividends will be made at the discretion of our Directors and will depend upon, among others, the financial results, cash flows, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We do not have a pre-determined dividend payout ratio. We will evaluate our dividend policy in light of our financial condition and the prevailing economic environment. For further details of our dividend policy, please refer to the section headed "Financial Information — Dividend Policy" in this document.

USE OF [REDACTED]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting estimated [**REDACTED**], fees and expenses payable by us in connection with the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per Share, and assuming the [**REDACTED**] is not exercised. We currently intend to apply the [**REDACTED**] from the [**REDACTED**] for the following purposes:

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to fund our IP production and operation. In particular,

  (i) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to fund our variety program IP creation and operation;

  (ii) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to fund our music IP production and operation;

(iii) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to fund our film and drama series IP production and operation; and

(iv) Approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to fund the purchase and upgrade of equipment, hardware and software for our technical team, production team and short-video team.

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to expand our audience reach to provide better customer service and build on our established entertainment IP industry value chain. In particular,

(i) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used in the construction of one "Star Movie Digital Interactive Experience Hall" featuring our film IPs, one "Canxing Music Digital Interactive Experience Hall" featuring our music IPs, one electronic music and street dance center and one live streaming center, to provide audience with onsite experience in a range of venues underpinned by our IPs;

(ii) approximately [**REDACTED**]%, or HK$[**REDACTED**] of [**REDACTED**] will be used to continue to invest in establishing Canxing bootcamp and academy to provide online and offline art trainings services to a wide coverage of recipients, including but not limited to trainings on music and dance;

(iii) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used in the field of consumer products, including the design and commercialization of fashion items featuring our IPs, and the operation of Canxing live house and music-themed bookstore; and

(iv) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used in investing and operating offline activities, such as music festivals, multi-media content centers and music plazas.

For further details, see "Future Plans and Use of [**REDACTED**]."