
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Our Ultimate Controlling Shareholders, namely Chinese Culture (CMC (Shanghai) and CMC (Tianjin)), Mr. Tian, Mr. Jin and Mr. Xu, through various intermediary entities including SH Zhihua, East Brothers, Goldenbroad, Beamingstars, Harvest Sky and Unionstars (together, the “**Controlling Group Entities**”) indirectly and jointly controlled the exercise of the voting rights of 61.68% of our total issued Shares directly held by Unionstars. In addition, Mr. Tian is interested in 20.80% of our total issued Shares directly held by Harvest Sky, which is wholly owned by Mr. Tian.

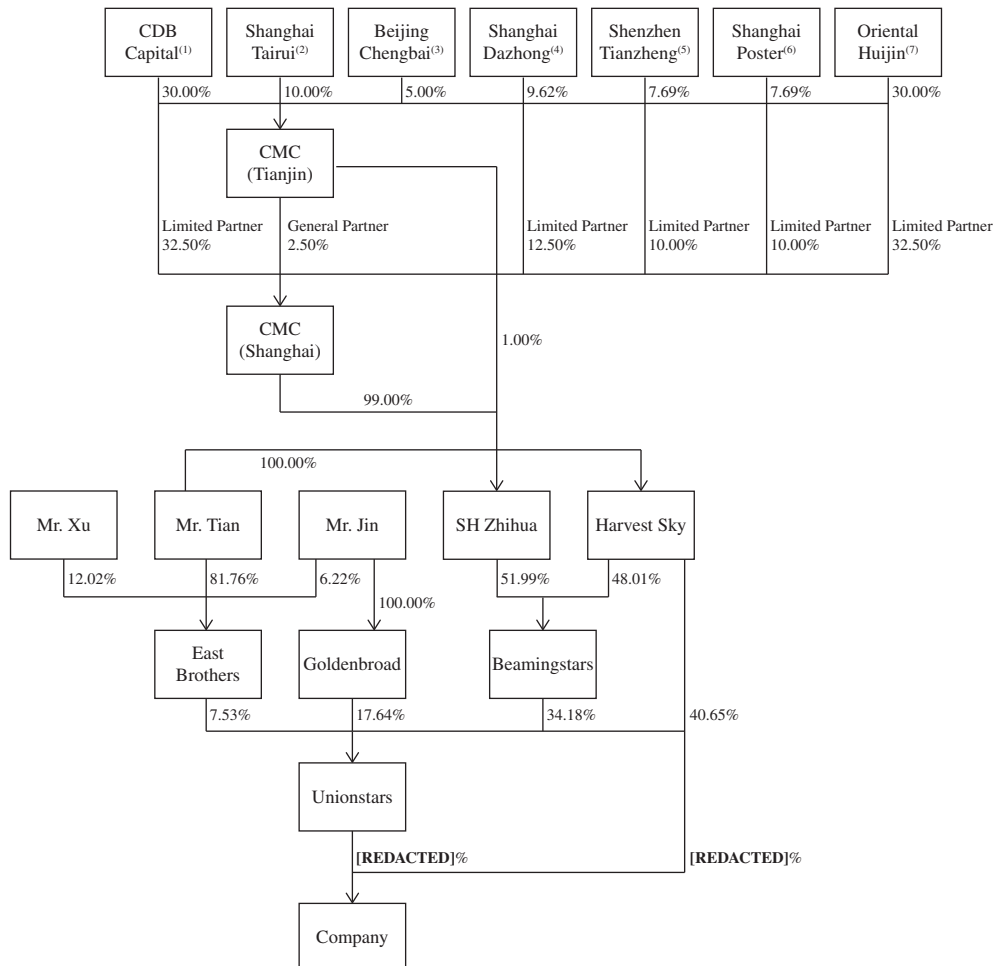
Pursuant to a joint control agreement dated August 3, 2021 (the “**Joint Control Agreement**”) entered into by and among our Ultimate Controlling Shareholders and the Controlling Group Entities (together, the “**JCA Parties**”), the JCA Parties confirmed that the Ultimate Controlling Shareholders had been acting in concert to jointly exercise control over the management and operation of our Group since January 1, 2016, and they have agreed to continue to act in concert to exercise joint control and reach consensus on any proposal related to the daily management and operation of our Group presented to the board meetings and general meetings of each Controlling Group Entity and the Company for voting.

Immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), our Ultimate Controlling Shareholders will be jointly interested in and control, through the Controlling Group Entities, an aggregate of approximately [REDACTED]% of our total issued Shares and will remain as the Controlling Shareholders of our Group. In addition, Mr. Tian through Harvest Sky will hold [REDACTED]% of our total issued Shares upon [REDACTED]. Accordingly, the JCA Parties constitute a group of Controlling Shareholders of our Group under the Listing Rules and collectively control the exercise of [REDACTED]% of the voting right in our Company upon [REDACTED].

On January 1, 2016, our Ultimate Controlling Shareholders and their respective onshore intermediary entities entered into a joint control agreement (the “**Canxing JCA**”) with respect to Canxing Culture, our PRC onshore holding company prior to the Reorganization, and had been exercising joint control over the Group since then. In preparation for the [REDACTED], the Group underwent the Reorganization and the Ultimate Controlling Shareholders effected the Joint Control Agreement to continue their joint control over the management and operations of the Group following the completion of the Reorganization. Details of the terms of the Joint Control Agreement, Canxing JCA and the Reorganization are set out in “History, Reorganization and Corporate Structure.”

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

A simplified illustration of the shareholding structure of our Controlling Shareholders immediately following the [REDACTED] (assuming [REDACTED] is not exercised) is set out below:



Notes:

- (1) China Development Bank Capital Co., Ltd. (國開金融有限責任公司) (“**CDB Capital**”) is a company incorporated under the laws of the PRC with limited liability. As of the Latest Practicable Date, CDB Capital was wholly owned by China Development Bank (國家開發銀行), a state-owned policy finance institution in the PRC under the direct supervision of the State Council of China.
- (2) Shanghai Tairui Cultural Consulting Co., Ltd. (上海泰睿文化諮詢有限公司) (“**Shanghai Tairui**”) is a company incorporated under the laws of the PRC with limited liability. As of the Latest Practicable Date, Shanghai Tairui was held by Mr. Li Huaiyu (李懷宇) and Mr. Xu Zhihao (徐誌豪) as to 60.0% and 40.0%, respectively.
- (3) Beijing Chengbai Investment Consulting Co., Ltd. (北京誠柏投資顧問有限公司) (“**Beijing Chengbai**”) is a company incorporated under the laws of the PRC with limited liability. As of the Latest Practicable Date, Beijing Chengbai was wholly owned by Beijing Kuandai Tiandi Capital Management Co., Ltd. (北京寬帶天地資本管理有限公司), which was in turn ultimately controlled by Mr. Tian Suning (田溯寧).

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (4) Shanghai Dazhong Group Capital Equity Investment Co., Ltd. (上海大眾集團資本股權投資有限公司) (“**Shanghai Dazhong**”) is a company incorporated under the laws of the PRC. As of the Latest Practicable Date, Shanghai Dazhong was owned by Shanghai Dazhong Public Utilities (Group) Co., Ltd. (上海大眾公用事業(集團)股份有限公司) (“**Dazhong Group**”) and Shanghai Dazhong Environment Industrial Co., Ltd. (上海大眾環境產業有限公司) as to 99.0% and 1.0%, respectively. Dazhong Group is a company incorporated under the laws of the PRC with its shares listed both on the Shanghai Stock Exchange (SHSE: 600635) and the Hong Kong Stock Exchange (stock code: 01635). Shanghai Dazhong Environment Industrial Co., Ltd. is a company incorporated under the laws of the PRC, which is controlled by the Dazhong Group.
- (5) Shenzhen Tianzheng Investment Co., Ltd. (深圳市天正投資有限公司) (“**Shenzhen Tianzheng**”) is a company incorporated under the laws of the PRC with limited liability. As of the Latest Practicable Date, Shenzhen Tianzheng was wholly owned by China Merchants Industrial Development (Shenzhen) Co., Ltd. (招商局實業發展(深圳)有限公司), which was in turn wholly owned by China Merchants China Direct Investments Limited (招商局中國基金有限公司), a company incorporated in Hong Kong with its shares listed on the Hong Kong Stock Exchange (stock code: 00133).
- (6) Shanghai United Media Group (上海報業集團) (“**Shanghai Poster**”) is a state-owned media company in the PRC. As of the Latest Practicable Date, Shanghai Poster was controlled by Shanghai Municipal State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會).
- (7) Shanghai Oriental Huijin Cultural Industry Venture Capital Co., Ltd. (上海東方惠金文化產業創業投資有限公司) (“**Oriental Huijin**”) is a company incorporated under the laws of the PRC with limited liability. As of the Latest Practicable Date, Oriental Huijin was held by Shanghai Media Group, Shanghai Zhangjiang Culture Holding Co., Ltd. (上海張江文化控股有限公司) and Shanghai Jingwen Investment Co., Ltd. (上海精文投資有限公司) as to 40.0%, 30.0% and 30.0%, respectively, each a state-owned company in the PRC ultimately controlled by the State-owned Assets Supervision and Administration Commission (國有資產監督管理委員會) of governments at different levels in the PRC.

Ultimate Controlling Shareholders

Chinese Culture

CMC (Shanghai) is a limited partnership incorporated under the laws of the PRC and an equity fund with investment focusing on media and entertainment industry. CMC (Tianjin) is the general partner of CMC (Shanghai) holding 2.50% partnership interest in CMC (Shanghai) and is exclusively vested with power to manage, control, operate and make decision on the investment activities of CMC (Shanghai). As of the Latest Practicable Date, other than Beijing Chengbai and Shanghai Tairui, the other shareholders of CMC (Tianjin) were also the limited partners of CMC (Shanghai). To the best of our Directors’ knowledge, each of the shareholders of CMC (Tianjin) and/or the limited partners of CMC (Shanghai) is an Independent Third Party.

Pursuant to the terms of the partnership agreement of CMC (Shanghai) (adopted on April 29, 2010 and amended on October 20, 2017) (the “**Partnership Agreement**”), the general partner (i.e. CMC (Tianjin)) is the decision-making body of the fund which is exclusively vested with power to manage, control, operate and make decision on the investment activities of the partnership. The limited partners of CMC (Shanghai) are entitled to certain customary rights including, among the others, (A) by unanimous vote of all the limited partners, approving or removing the general partner solely for material losses or liabilities to the fund which resulted from willful misconduct or gross negligence on the part of the general partner, single transaction of which the size exceeds 20% of the fund size, general partner’s voluntary withdrawal from the partnership; and (B) by vote of both the general partner and all the limited partners or limited partners representing no less than two-thirds of the capital contributions to

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

the partnership (as the case may be), approving new subscriptions to the fund after the expiration of a one-year open subscription period following the closing of the initial subscription by the existing limited partners, approving CMC (Tianjin) acting as a general partner of another investment vehicle which may compete with the fund, approving certain conflicted transactions where conflict of interests may arise from the dealings between the fund and the general partner or another fund of which CMC (Tianjin) is the general partner, approving disposal of real properties owned by the fund and other matters that requires approval by the partners pursuant to the applicable PRC laws. As advised by our PRC Legal Advisor, such customary rights should not be deemed as the limited partners participating in the management of the partnership, and the limited partners do not control the investment activities of the fund by virtue of such customary rights.

Pursuant to the articles of association of CMC (Tianjin) (adopted on April 29, 2010 and amended on March 3, 2011, May 10, 2014 and October 20, 2017, respectively) (the “**CMC (Tianjin) Articles**”) and its shareholders’ agreement dated April 29, 2010 (the “**Shareholders’ Agreement**”), the shareholder’s meeting is highest decision making authority of CMC (Tianjin) and has the power to approve certain matters including the appointment and removal of directors. All matters that require approval by the shareholders’ meeting must be approved by shareholders representing no less than two-thirds of the voting rights of the issued share capital of CMC (Tianjin). At the board level, the board of directors of CMC (Tianjin) shall consist of nine directors. Each of Oriental Huijin and CDB Capital is entitled to appoint three directors to the board, and each of Shanghai Dazhong, Shenzhen Tianzheng and Shanghai Poster is entitled to appoint one director. As of the Latest Practicable Date, the board of directors of CMC (Tianjin) consisted of nine directors, three, three, one, one and one of whom were appointed by Oriental Huijin, CDB Capital, Shanghai Dazhong, Shenzhen Tianzheng and Shanghai Poster, respectively, which was approved at the shareholder’s meetings of CMC (Tianjin) in accordance with the CMC (Tianjin) Articles and the Shareholders’ Agreement. The board of directors has the general power to make decisions with respect to the management and operations of CMC (Tianjin) including the appointment and removal of senior management members and one member of the Investment Committee (as defined below). Each director is entitled to one vote at the board meeting. All matters that require approval by the board shall be approved by no less than 75% of the board members attending the meeting with minimum quorum requirement of seven members.

Pursuant to the CMC (Tianjin) Articles and the Shareholders’ Agreement, CMC (Tianjin) has an investment committee (the “**Investment Committee**”) comprising five members which is responsible for making investment decisions as a general partner of CMC (Shanghai). Each of Oriental Huijin and CDB Capital is entitled to appoint two members to the Investment Committee and the other one member shall be appointed by the chairman of the board and approved by the board of directors of CMC (Tianjin). As of the Latest Practicable Date, the Investment Committee of CMC (Tianjin) consisted of five members, two, two and one of whom were appointed by Oriental Huijin, CDB Capital and the chairman of the board of directors of CMC (Tianjin), which was approved by the board of directors of CMC (Tianjin) in accordance with the CMC (Tianjin) Articles and the Shareholders’ Agreement. All matters that require approval by the Investment Committee shall be approved by no less than 75% of the committee members attending the meeting with minimum quorum requirement of four members. Investments exceeding certain size thresholds must be approved by the board or shareholders of CMC (Tianjin) at the board/shareholders’ meetings (as the case may be).

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Based on the foregoing, CMC (Tianjin) is ultimately responsible for the management of and controls CMC (Shanghai) and the limited partners of CMC (Shanghai) only have passive interests in the partnership under the Partnership Agreement. To the best of our Directors’ knowledge, the shareholders of CMC (Tianjin) and their beneficial owners are independent of each other, and there is no voting arrangement or concert-party arrangement among the shareholders of CMC (Tianjin). Therefore, as none of the shareholders of CMC (Tianjin) can individually exercise or control the exercise of majority of voting rights at the shareholders’ meeting of CMC (Tianjin), or in a position to exercise control over the board of directors or Investment Committee of CMC (Tianjin), the shareholders of CMC (Tianjin) and their ultimate beneficial owners are not regarded as a part of a group of the controlling shareholders of the Company under the Listing Rules.

Mr. Tian, Mr. Jin and Mr. Xu

For background of Mr. Tian, Mr. Jin and Mr. Xu, see “Directors and Senior Management.”

DELINEATION OF BUSINESS

Business of Our Group

Our Group primarily engages in production, operation and licensing of variety program, music, film and drama series IPs, and other IP related business including artist management, arts education and training, concert organization and production, mobile applications, consumer products and themed attractions (the “**Principal Business**”).

Delineation from SCML

As of the Latest Practicable Date, our Ultimate Controlling Shareholders controlled CMC Asia which in turn wholly owned SCML. SCML was primarily engaged in (i) the operation of “*Xing Kong*” branded television channel and “*Channel [V]*” branded television channel (the “**Channels**”) and (ii) licensing and acquisition of television programming for exhibition on the Channels (collectively, the “**TV Channel Business**”). It is our Group’s strategy to focus on variety programs production and our Group currently does not engage in the TV Channel Business, which requires different skillset, industry knowledge and expertise from our Group’s Principal Business. To the best of our Directors’ knowledge, as of the Latest Practicable Date, SCML did not engage in our business.

Given the differences in nature between the TV Channel Business of SCML and our Principal Business, our Directors are of the view that there is no overlap between the TV Channel Business of SCML and our Principal Business and as a result of such clear delineation, as well as the Non-competition Undertaking (as defined below) in place, the TV Channel Business of SCML would not compete, or is not expected to compete, directly or indirectly, with our business.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKING

In order to ensure that direct competition does not develop between us and the activities of our Controlling Shareholders, the Ultimate Controlling Shareholders entered into a non-competition undertaking (the “**Non-competition Undertaking**”) in favor of our Company on [●], pursuant to which each of Chinese Culture, Mr. Tian, Mr. Jin and Mr. Xu has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of its subsidiaries and Consolidated Affiliated Entities) that they would not, and they would use their best endeavors to procure that their close associates (except any members of our Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the Group’s Principal Business (the “**Restricted Business**”), save for that each of Chinese Culture, Mr. Tian, Mr. Jin and Mr. Xu, directly or indirectly through their respective close associates, is allowed under the non-competition undertaking to hold not more than 10% of the issued share capital of any companies which are engaging in the Restricted Business.

Pursuant to the Non-competition Undertaking, the obligations of any Ultimate Controlling Shareholders thereunder would terminate on the earlier of the date on which (i) such Controlling Shareholder ceases to become a controlling shareholder (as defined under the Listing Rules) of our Company or (ii) the Shares cease to be [REDACTED] and [REDACTED] on the Stock Exchange.

INTEREST IN COMPETING BUSINESS UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, neither of them is interested in any business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of nine Directors comprising five executive Directors, one non-executive Director and three independent non-executive Directors. For more information, see “Directors and Senior Management.”

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, apart from their roles with our Group and other intermediary investment holding companies, Mr. Tian and Ms. Wang Yan, each an executive Director, also served as the directors of CMC Asia, a company controlled by the Ultimate Controlling Shareholders which is the sole shareholder of SCML. Save as disclosed above, none of our Directors or the members of our senior management team held any position at our Controlling Shareholders or their respective close associates (except for their intermediary investment holding companies).

Despite positions of Mr. Tian and Ms. Wang Yan in CMC Asia, Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders for the following reasons:

- (a) CMC Asia does not hold business other than its interest in SCML and SCML’s day-to-day operations and management are carried out by its board and senior management. Neither of Mr. Tian and Ms. Wang Yan holds directorship or management positions in SCML. Further, SCML’s business is clearly delineated from our Principle Business and would not compete, or is not expected to compete with our business. See “— Delineation of Business — Delineation from SCML” in this section above;
- (b) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (c) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (d) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (e) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is/are required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. In addition, the interested Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or any other proposal in which he or she or any of his or her close associates is materially interested in except for certain circumstances as set out in the Articles. For details, see “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this document; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (f) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “— Corporate Governance Measures” in this section below for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

We operate independently of our Controlling Shareholders, hold all relevant licenses and permits and own all relevant intellectual properties necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our clients and an independent management team to operate our business.

We have entered into certain transactions with SCML (a close associate of our Controlling Shareholders) which constitute continuing connected transactions of our Group upon [REDACTED]. See “Connected Transactions” for further details of and reasons for entering into these transactions. Our Directors believe that the roles of our Company and those of SCML under those connected transactions are complementary and beneficial to each other. Furthermore, given the extensive popularity and wide influence in overseas markets of the TV channels operated by SCML, and the long history of business cooperation between the Group and SCML, it is natural and in the best interests of our Company and our Shareholders to cooperate with SCML. Such transactions are and will be conducted in the ordinary and usual course of business of our Group, on an arm’s length basis and on normal commercial terms.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has an independent financial reporting system and makes financial decisions according to our Group’s own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. More importantly, we have been and are capable of obtaining equity and debt financing from third parties.

As of the Latest Practicable Date, there were no non-trade payables, loans or guarantees due to or from our Controlling Shareholders or their respective close associates which had not been fully settled nor were there any guarantees provided by any of our Controlling Shareholders or their respective close associates on the Group’s financing which had not been fully released or discharged. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Based on the above, our Directors are of the view that our Directors and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interest. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of his associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with a Controlling Shareholder or any of his associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (g) we have appointed China Securities (International) Corporate Finance Company Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].