
CONNECTED TRANSACTIONS

OVERVIEW

We have in the past conducted certain transactions with entities that will become our connected persons upon [REDACTED]. Such transactions will continue after [REDACTED] and will therefore constitute our continuing connected transactions under the Listing Rules.

RELEVANT CONNECTED PERSONS

The following parties with whom we have entered into transactions will be regarded as our connected persons under the Listing Rules:

<u>Connected Persons</u>	<u>Connected Relationship</u>
SCML	SCML is a wholly-owned subsidiary of CMC Asia which is ultimately controlled by our Ultimate Controlling Shareholders as to 75.5%. The remaining interest of CMC Asia is owned by Mr. Tian. Accordingly, SCML is a connected person of our Company under Rule 14A.13(3) of the Listing Rules
SH Xingtou	SH Xingtou is indirectly wholly-owned by our Ultimate Controlling Shareholders. Accordingly, SH Xingtou is a connected person of our Company under Rule 14A.13(3) of the Listing Rules
SH Zhouxing	SH Zhouxing is wholly owned by Mr. Tian. Accordingly, SH Zhouxing is a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules
Mr. Tian	Our Chairman of the Board and one of the Controlling Shareholders

CONTINUING CONNECTED TRANSACTIONS

A. Fully-Exempt Continuing Connected Transactions

We entered into the following types of transactions with SCML during the Track Record Period which will continue after [REDACTED], including:

- Advertising sale agency arrangement: we agreed to act as an agent of SCML to sell or solicit advertising in the PRC and negotiate relevant advertising contracts on behalf of SCML with advertisers;
- Broadcast license and distribution arrangements: we agreed to authorize SCML to broadcast certain of our programs and films on SCML’s channels;

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- China Music Awards license arrangement: SCML agreed to granted us the right to hold the annual “Chinese Music Awards” (全球華語音樂榜中榜) of Channel V, a TV channel operated by SCML, and in return reserves the exclusive right to live broadcast the awards; and
- Office premises leasing transaction: SCML agreed to sub-lease certain office premises to us.

As the highest applicable percentage ratios under the Listing Rules in respect of each of the transactions above is expected to be, on an annual basis, less than 0.1% and the transactions are on normal commercial terms or better, these transactions will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

B. Non-Exempt Continuing Connected Transactions

We set out below a summary of the continuing connected transactions for our Group, which are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

Background for the Contractual Arrangements

As disclosed in “Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership in the PRC, we conduct our business through the Consolidated Affiliated Entities, which hold the requisite license, permit and approval required for carrying out relevant business in the PRC. The Contractual Arrangements entered into among Shanghai Jiuyu Yisheng, our wholly foreign-owned enterprise (“WFOE”), Consolidated Affiliated Entities and the Registered Shareholders/Canxing Culture (as the case may be) enable us to (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entities in consideration for the services provided by WFOE to our Consolidated Affiliated Entities under the Exclusive Consulting and Service Agreements; (ii) exercise effective control over our Consolidated Affiliated Entities to conduct the Relevant Business; and (iii) hold an exclusive purchase option to purchase all or any part of equity interests in and/or the assets of our Consolidated Affiliated Entities when and to the extent permitted by the PRC laws and regulations.

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Principal Terms of the Transactions

The Contractual Arrangements comprise the following agreements: Exclusive Consulting and Service Agreements, Exclusive Purchase Option Agreements, Equity Pledge Agreements, Voting Right Trust Agreements and undertaking letters made by each of the individual Registered Shareholders and their spouses. See “Contractual Arrangements” in this document for detailed terms of the Contractual Arrangements.

Reasons for the Waiver Application and the View of Our Directors on the Continuing Connected Transactions

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group’s legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group’s business, fair and reasonable or to the advantage of our Group and in the interests of our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

Application for and Conditions of Waiver

In relation to the Contractual Arrangements, we have applied to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Stock Exchange [has granted], a waiver from (i) strict compliance with the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, under Rule 14A.53 of the Listing Rules for the fees payable to WFOE from our Consolidated Affiliated Entities under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [REDACTED] on the Stock Exchange subject to the following conditions:

- (a) No Change without Independent Non-executive Directors’ Approval

No changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

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(b) No Change without Independent Shareholders’ Approval

Save as described in paragraph (d) below, no changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent Shareholders. Once the independent Shareholders’ approval of any change has been obtained, no further announcement or approval of the independent Shareholders, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic Benefits Flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through: (i) our Group’s potential right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in and/or assets of the Consolidated Affiliated Entities for a nominal price or the minimum amount of consideration permitted by applicable PRC laws and regulations; (ii) the business structure under which the total income generated by the Consolidated Affiliated Entities (net of costs, taxes and retained profits (if any)) is substantially retained by us (such that no annual caps shall be set on the amount of services fees payable to WFOE under the Exclusive Consulting and Service Agreements); and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of our Consolidated Affiliated Entities.

(d) Renewal and Reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described under “Contractual Arrangements” in this document. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish when justified by business expediency will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as our Group’s connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

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(e) Ongoing Reporting and Approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- (i) The Contractual Arrangements in place during each financial period will be disclosed in our annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- (ii) Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our annual report and accounts for the relevant year that:
 - (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;
 - (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and
 - (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Company and the Shareholders as a whole.
- (iii) Our auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors and that no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned/transferred to our Group.
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," the Consolidated Affiliated Entities will be treated as the Company's wholly-owned subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entities and their associates (excluding for this purpose, the Consolidated Affiliated Entities) will be treated as the Company's "connected persons." As such, transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

The Consolidated Affiliated Entities further undertake that, for so long as the Shares are [REDACTED] on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our auditors with full access to its relevant records for the purpose of procedures to be carried out by our auditors' on the connected transactions.

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In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

Listing Rules Implications

As certain members of the Registered Shareholders, namely SH Xingtou, SH Zhouxing and Mr. Tian, are our connected persons, the transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Group.

The highest applicable percentage ratio (other than the profit ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements is expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS’ VIEWS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions described in this section have been entered into in the ordinary and usual course of our business, on normal commercial terms or better, which are fair and reasonable and in the interests of our Shareholders as a whole.

JOINT SPONSORS’ VIEWS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of the Group.

Based on the above, the Joint Sponsors are of the view that the aforesaid continuing connected transactions, for which waivers have been sought, have been entered into in the ordinary and usual course of our business on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Joint Sponsors are of the view that it is a justifiable and normal business practice to ensure that (i) policies of the Consolidated Affiliated Entities can be effectively controlled by the WFOE, (ii) the WFOE can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented on an uninterrupted basis.