
FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See the section headed “Business — Our Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

The table below sets forth the estimated [REDACTED] of the [REDACTED] which we will receive after deduction of [REDACTED] and estimated expenses payable by us in connection with the [REDACTED] (assuming the [REDACTED] is not exercised):

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document)	HK\$[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] range stated in this document)	HK\$[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] range stated in this document)	HK\$[REDACTED]

We intend to apply the [REDACTED] from the [REDACTED] for the following purposes and in the amounts set forth below (based on the mid-point of the [REDACTED] range stated in this document):

- Approximately [REDACTED]%, or HK\$[REDACTED], will be used to fund our IP production and operation. Specifically, we intend to create popular variety program IPs, improve our film and drama series IP production and operation capabilities, strengthen our music IP production and operation capabilities and further develop our IP-related businesses.
 - (i) Approximately [REDACTED]%, or HK\$[REDACTED], will be used to fund our variety program IP creation and operation.
 - We plan to use approximately [REDACTED], or HK\$[REDACTED] of the [REDACTED] to fund, in full or in part, three to five pipeline variety programs which we expect to release in the following two to three years, including music variety programs, dance variety programs, talk shows, and other types of variety programs. Most of the pipeline variety programs are expected to be released on major satellite TV networks or leading online video platforms.

FUTURE PLANS AND USE OF [REDACTED]

We generally estimate the total investment amount of each variety program by taking into account a number of factors, including the cost of programs produced during the Track Record Period and the past experience of our management regarding the costs of similar variety programs.

We believe the continuously investment in funding our pipeline variety programs will secure our steady growth and leading market position by delivering variety programs and catering to the different preferences of audience. For programs to be funded in part with [REDACTED] from the [REDACTED], we expect to fund the remaining amounts through (i) cash from operations and (ii) trade receivables collected due from our customers for our variety programs IP operation and licensing since we usually receive part of the production fees for the variety programs during the process of production and broadcasting.

The types of the variety programs are subject to the ever-changing market needs and conditions.

- In addition, we plan to use approximately [REDACTED]%, or HK\$[REDACTED] invest in the construction of self-owned production studios and other program production facilities in Songjiang, Shanghai, with an expected size of 34,000 square meters. We expect the total capital expenditure will be RMB136 million (equivalent to approximately HK\$159.0 million). In addition to the [REDACTED], we plan to use bank borrowings, to meet the funding requirement of the construction of the production studios.

We believe our self-owned production studio will provide better audio-visual effects for producing variety programs in various genres. In addition, with our own production facility, we can have better control over the production environment and process, alter the studios to fit better with the program ideas, and experiment with new settings and techniques with ease. The Songjiang Base is currently under construction and is expected to complete by the second half of 2023. For more information relating to the production studios and Songjiang Base, see “Business — Our Businesses — Other IP-Related Business.”

FUTURE PLANS AND USE OF [REDACTED]

- (ii) Approximately [REDACTED]%, or HK\$[REDACTED], will be used to fund our music IP production and operation. In particular:
- We plan to use approximately [REDACTED]%, or HK\$[REDACTED] of [REDACTED] to acquire more music IPs from large music recording companies, independent music studios and songwriters to produce more music works for our managed artists and to further expand and diversify our music IP library in the next three years.
 - We plan to use approximately [REDACTED]%, or HK\$[REDACTED] of [REDACTED] to purchase and upgrade our sound recording and music editing equipment, hardware and software for our music production team and increase our spending on marketing to promote the music works we produce for our managed artists.
- (iii) Approximately [REDACTED]%, or HK\$[REDACTED], will be used to fund our film and drama series IP production and operation. In particular:
- We intend to use approximately [REDACTED]%, or HK\$[REDACTED] of the [REDACTED] to jointly invest in one to two made-for-internet films in the next three years. Leveraging our resources of film library and experience in licensing our film IPs, we plan to cooperate with reputable film production companies to produce the make-for-internet films.
 - We plan to use approximately [REDACTED]%, or HK\$[REDACTED] of the [REDACTED] to fund the design, marketing and sale of tie-in products to further capitalize on our existing film and drama series IPs.
- (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. We plan to purchase and upgrade our post-production servers, equipment and hardware to enhance our post-production capabilities in the following two to three years.

FUTURE PLANS AND USE OF [REDACTED]

- 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.
 - (i) We plan to invest approximately [REDACTED]%, or HK\$[REDACTED], 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.

We plan to offer onsite experience through experience halls and centers to provide better user experience and increase the size and stickiness of our audience base, in order to attract corporate sponsors and advertising agencies, and enhance our monetization capabilities. We expect to construct the halls and centers in cities with a profound cultural accumulation and rich flavor of humanities, such as Shanghai, Xi’an and Xiamen. The expected size of our Star Movie Digital Interactive Experience Halls and Canxing Music Digital Interactive Experience Halls will be 2,000 square meters, with total capital expenditure being RMB15.0 million (equivalent to approximately HK\$[16.3] million) for the constructions of each kind of the halls, and expected payback period being around five years. The expected size of the electronic music and street dance centers will be 3,000 square meters, with expected total capital expenditure being RMB40.0 million (equivalent to approximately HK\$[43.4] million) and expected payback period being around four years. The expected size of the live streaming centers will be 4,000 square meters, with total capital expenditure being RMB30.0 million (equivalent to approximately HK\$[32.6] million) and expected payback period being around five years.

We generally estimate the total capital expenditure of each kind of halls and centers by taking into account a number of factors, including the past experience of our management, the location and expected size of the halls and centers, and the estimated human resources costs, among others. We will pay close attention to the condition of the market and launch such projects once ready. We expect to fund the remaining amounts with cash from operations and bank borrowings.

We have accumulated rich experiences in licensing our right to host offline entertainment events in association with our variety programs. For example, we authorize the use of our IPs to various third-party partners, such as authorizing Madame Tussauds Shanghai Wax Museum the right to recreate the scenes and props of our variety programs. Our broad base of customers and visitors and vivid knowledge of the industry will also contribute to the management and operation of our halls and centers. We plan to attract and

FUTURE PLANS AND USE OF [REDACTED]

recruit experienced employees and talents to join us when necessary. Therefore, we believe we are well-positioned to manage the operate the experience halls and centers.

- (ii) We plan to use [REDACTED]%, or HK\$[REDACTED] of [REDACTED] 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.

We aim to further explore innovative ways to operate our entertainment IPs. We plan to establish one Canxing bootcamps and academies in cities with rich sources of students and huge market demands, such as Shanghai, Xi’an and Xiamen, with an expected size of 1,000 square meters. We expect the total capital expenditure for the establishment of Canxing bootcamps and academies to be RMB5.0 million (equivalent to approximately HK\$[5.4] million), with the expected payback period being around four years. We estimate the costs of establishment of these bootcamps and academics on the basis of our experience in providing offline and online trainings, and the location and expected size of the bootcamps and academies, among others. We also plan to continue to invest in the development of our online courses and expansion of our online training. We will pay close attention to the condition of the market and launch such bootcamps and academies once ready. We expect to fund the remaining amounts with cash from operations and bank borrowings.

During the Track Record Period, we have provided training in singing and dancing to the general public by leveraging the brand effect of our singing and dance competition shows. For example, we co-founded the Pop Music School with Shanghai Institute of Visual Arts, or SIVA, to provide undergraduate education since 2018. In addition to offline arts training, we also provide online pop music and street dance classes on the “Sing! China” app we developed, where well-known singers who used to perform in “Sing! China” variety program as contestants or coaches can give online singing classes. With the accumulated customer bases and rich experiences in providing online and offline arts training, we believe we are capable to establish and operate our Canxing bootcamps and academies successfully.

- (iii) We plan to invest [REDACTED]%, or HK\$[REDACTED], 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.

We plan to operate one Canxing fashion items store, one live house and one music-themed bookstore in cities with a rich flavor of humanities, such as Shanghai, Xi’an and Xiamen with an expected size of 800 square meters for fashion item store, 800 square meters for live house and 2,000 square meters for music-themed bookstore. We plan to operate fashion items store to commercialize fashion items featuring our IPs, such as clothes, accessories, and other derivative products. We expect our live houses to be music clubs featuring live music shows and provide dining services. We expect the total capital expenditure for the establishment of Canxing fashion item store, live house and music-themed bookstore will be RMB26.4 million (equivalent to approximately HK\$[28.7] million),

FUTURE PLANS AND USE OF [REDACTED]

considering their expected location and size based on the experience of our management. The expected payback period ranging from around four years to six years. We will pay close attention to the condition of the market and launch such projects once ready. We expect to fund the remaining amounts with cash from operations and bank borrowings.

During the Track Record Period, we licensed our entertainment IPs generated in relation to our content production to consumer products brands in various sectors, including cosmetics, food and beverages, clothing and fashion items. Therefore, we have accumulated rich marketing and operation experience in the industry and are well positioned to further expand our business in the field of consumer products. We are in active preparation for the establishment of Canxing fashion items stores, live houses and music-themed bookstores with our professional marketing and sales expertise.

- (iv) In addition, we plan to invest [REDACTED]%, or HK\$[REDACTED], in investing and operating offline activities, such as music festivals, multi-media content centers and music plazas.

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range.

We will only place the [REDACTED] from the [REDACTED] which are not immediately required for the disclosed purposes in short-term interest-bearing accounts at licensed banks or authorized financial institutions in Hong Kong and the PRC (as defined under the Securities and Futures Ordinance, the Law of the People’s Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant laws in the PRC). We will make an appropriate announcement if there is any change to the above proposed use of [REDACTED] or if any amount of the [REDACTED] will be used for general corporate purpose.

If the [REDACTED] is fully exercised, we will receive additional [REDACTED] of approximately HK\$[REDACTED] for [REDACTED] Shares to be allotted and issued upon the full exercise of the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range, and after deducting the [REDACTED] payable by us. The additional amount raised will be applied to the above areas of use of [REDACTED] on pro-rata basis.