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An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the section headed “Financial Information” of this document, before deciding to invest in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial conditions, results of operations and prospects. In any such an event, the market price of our Shares could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” of this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

We rely on our major variety programs and a potential decline in popularity of these programs may materially and adversely affect our business and results of operations.

Historically, we have focused our resources on variety programs and rely on our major variety programs during the Track Record Period, such as “Sing! China,” “Street Dance of China,” and “Guess the Singer!”. Variety programs viewership in China may be affected by many factors, many of which are out of our control. In addition, online video platforms have become an important broadcast channel in China for video content programs due to its unlimited geographical coverage and the increase in number of Internet users in China. For the years ended December 31, 2019, 2020, and 2021, we generated revenue from “Sing! China” for RMB490.5 million, RMB324.5 million and RMB251.6 million, respectively, representing 36.6%, 29.8% and 28.6% of the total revenue generated from variety program IP production, operation and licensing in the corresponding periods, respectively. We generated revenue from “Street Dance of China” for RMB184.0 million, RMB210.5 million and RMB239.1 million, respectively, representing 13.7%, 19.3% and 27.2% of the total revenue generated from variety program production, operation and licensing for the same period, respectively. For more details, see “Business — Our Businesses — Variety Program IP Production, Operation, and Licensing.” We cannot assure you that our variety programs will achieve strong viewership ratings in the future through various channels. If we are unable to achieve strong ratings, it may be difficult for us to secure corporate sponsors or find media platforms for our programs, in which case our operational and financial performance may be negatively affected.

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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 continued success of our business depends on our ability to accurately anticipate and meet the taste and preferences of viewers and audiences, and identify the needs of corporate sponsors and media platforms. We have built a track record in anticipating the preferences of viewers by focusing our resources on building our experience and capabilities in developing and operating variety programs and enlarging our library of musical works and movies. We cannot guarantee that we will be able to continue to do so in the future despite our efforts to conduct in-depth market research to design programs for our corporate sponsors and to anticipate the trends of the pan-entertainment content market in the near future considering the evolving trend of the industry including increasing prevalence of online short-form videos and thriving development of niche markets. And our programs with successful proven track may not be able to continue its success going forward. For example, our corporate sponsors may adjust or change their marketing activities based on their needs, and we cannot guarantee that we will be able to offer attractive programs and services that meet these ever-changing needs. As such, corporate sponsors may reduce the advertising budget allocated to certain types of programs, dramas and movies. In addition to audience acceptance, the availability of alternative forms of entertainment and leisure activities, macro-economic conditions and other factors affect viewer ratings and the success of content produced by us. If we fail to develop new entertainment contents that effectively meet the evolving needs and preferences of corporate sponsors, viewers and media platforms, we may experience reduced demand or fail to compete effectively, and we may be required to incur additional costs to hire new directors or other creative personnel and related operating teams in order to develop and deliver programs, dramas series, movies and musical products in demand, which would have a material adverse effect on our business, financial condition and results of operations.

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

Unforeseen circumstances during production, such as accidents, equipment damage or malfunction, damages to cassettes (or digital files thereof), unavailability of filming locations, delay in obtaining the requisite permits or licenses, natural disasters, the outbreak of epidemics, such as COVID-19 and unavailability of producers, directors or artists due to injuries or health issues, other engagement or a negative publicity as a result of their personal behavior, may disrupt the production progress of new variety programs and drama series. The distribution of our variety programs and drama series may also be delayed due to the changes in production schedule or failure to obtain the relevant distribution licenses, leading to the delay in the initial broadcasting of our variety programs and drama series. Any delay or adjustment in production or distribution schedule may increase the production or distribution cost. For example, due to the outbreak of COVID-19 and the continuous measures to combat COVID-19, such as travel restrictions and mandatory quarantines, we experienced slight delay

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in the production and broadcasting of some of our variety programs for one to two months in 2020 and 2021, comparing 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 addition, a delay in production or distribution schedule may cause a breach of agreements with our customers and enable them to terminate the agreements or demand compensation, which would materially and adversely affect our business, financial condition and results of operations. In circumstances where the production cost of a variety program and drama series significantly exceeds its budget, we and other co-investors may be required to contribute additional financial resources, which may result in significant decrease in the profitability of the program. Failure to obtain additional financial resources for a variety program and drama series may result in substantial delay in production progress. In addition, when we are providing production services, we may need to bear the overrun costs pursuant to the relevant agreements, unless otherwise provided in the relevant agreements. Even if our new programs and drama series can be produced and distributed upon schedule, we cannot guarantee that new programs can generate profits to us. In particular, we cannot assure you the successful launch of “Reading Class,” which is the first drama series we produced, as we have no proven track record in developing drama series. Any of the above circumstances may materially and adversely affect our business, financial condition and results of operations.

We may not be able to recover production costs incurred, or achieve our target profit margin for the variety programs we produced, which may affect our business, financial condition and results of operations.

We sometimes enter into contracts with the broadcasting platforms based on the different stages of a variety program produced by us to facilitate the internal process of the platforms and we may agree to stage payments for the variety program under these agreements. Under such arrangements, some installments to be made by the platforms for certain variety programs may be agreed at the time close to, or after, the end of the initial broadcast of the variety programs. During the Track Record Period, no loss was incurred due to such arrangement.

It is a common industry practice that big platforms usually have a lengthy approval process, production companies sometimes would, based on the nature of the service provided, sign different contracts with the platforms so as to speed up the approval process. Therefore, it is sometimes seen that production companies and broadcasting platforms only enter into formal contract close to or after the end of the initial broadcast of the program. We cannot assure you that we will be able to recover our production costs for all of the variety programs we produce in the future, and failure to recover such production costs or achieve our target profit margin may materially and adversely affect our business, financial condition and results of operations.

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The performance of the advertising market will affect the ability of our customers to pay for our variety programs.

Our customers are mainly TV stations and online video platforms. A significant portion of revenue of our customers is generated from advertisements. Accordingly, the industry policy is implemented and the number of their advertising entities will affect the financial condition of our customers, which will ultimately affect their ability to make timely payments to us. In addition, economic changes or COVID-19 outbreak would also affect the performance of the advertising market. If our customers, including TV stations and online video platforms, fail to retain their advertising entities in the future and/or attract new advertising entities continuously, their financial condition will be adversely and materially affected. In addition, the development of short-form videos has created fundamental changes to the advertising market as short-form videos give creators and advertisers the ability to quickly reach viewers, especially younger audiences. The market share of TV stations and online platforms for long-form videos may be therefore affected, which may lead to a decrease in their advertising income and adversely affect their ability to pay to us, and our financial condition and business operations may be materially and adversely affected.

We rely on a limited number of major customers in our business. Any interruption in our cooperation with them could materially and adversely impact our business, financial condition and results of operations.

During the Track Record Period, our customers generally included (i) TV networks and online video platforms that engage us to produce and distribute variety programs; (ii) music service providers that license our music IPs; (iii) TV networks and online video platforms that license our films or engage us to produce and distribute drama series; (iv) corporate customers, advertising agencies and media platforms that engage us and our managed artists for concerts, tours, and in-person appearances; (v) students who enroll in our arts education program or attend our arts training classes; and (vi) consumer products brands that license our IPs. During the Track Record Period, we rely on a limited number of broadcasting platforms and advertisers in our 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 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 same periods, respectively.

We cannot guarantee that we will be able to continue to maintain strong relationships with our major customers, or that we will be able to derive significant business from them in the future. In some cases, our customers may discontinue cooperating with us due to the changes in their marketing strategies, internal policies, or management team. If our major customers terminate their business relationship with us, if we are unable to negotiate favorable contractual terms with them, or if we are unable to secure new customers at all or on favorable or comparable terms, our business, financial condition and results of operations may be materially and adversely affected.

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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.

During the Track Record Period, we derived a significant portion of our revenue from certain major programs. In 2019, 2020, 2021 and for the six months ended June 30, 2022, 74.2%, 69.9%, 78.0% and 74.7% of our revenue are generated from the variety program IP production, operation, and licensing, respectively. Due to the nature of our business, we focus our resources on a portion of projects each year or period. For the year ended December 31, 2019, the top three variety programs that we generated most revenue from were Sing! China 2019, Street Dance of China 2019, and China’s Got Talent 2019. For the year ended December 31, 2020, the top three variety programs that we generated most revenue from were Sing! China 2020, Street Dance of China 2020, and the Great Wall. For the year ended December 31, 2021, the top three variety programs that we generated most revenue from were Sing! China 2021, Street Dance of China 2021 and Likes! Talent. See “Business — Our Businesses — Variety Program IP Production, Operation, and Licensing” for more details of the programs we have created during the Track Record Period. However, there is no guarantee that our programs would be broadcast on schedule or would enjoy popularity or would not be canceled, or that the contracts in relation to these programs would not be terminated or materially altered to our detriment.

Delay in broadcasting or cancelation of a program may be due to a number of reasons, many of which are beyond our control, including, among others, pursuant to governmental rule changes or orders from government authorities, implementation of industry policy, adjustment of broadcasting or event schedules by media platforms, and low popularity and viewership of the relevant program. For example, to comply with certain recent-issued regulatory requirements and policies, including the Notice on Further Strengthening the Regulation on Chaos in the “Fan Circle,” the Notice on Carrying out Comprehensive Management on Culture and Entertainment and the Circular on Further Strengthening the Management of Cultural and Entertainment Programs and Industry Participants, we changed our plan for certain contemplated variety programs. We may also incur significant upfront costs to introduce new program, which may not be as popular as we expect or generate anticipated returns.

In addition, our gross profit, gross profit margin and other key financial ratios may fluctuate due to a number of reasons. For example, the gross profit and gross profit margin of our variety programs are usually affected by (i) the cooperation model we adopt for programs, (ii) our negotiation with investing media platforms, (iii) macro economic environment, and (iv) shifts in audience preferences. Our gross profit was RMB704.9 million, RMB587.4 million, RMB274.3 million and RMB56.5 million in 2019, 2020 and 2021, and for the six months ended June 30, 2022, respectively, and our gross profit margin was approximately 39.0%, 37.7%, 24.3% and 30.9%, in the corresponding periods, respectively. In particular, the overall gross profit margin of programs produced under the commissioned production model for 2019, 2020 and 2021 was higher than that of the programs under the revenue sharing model for the corresponding period. For details, see “Business — Our Businesses — Variety Program IP Production, Operation, and Licensing” and “Financial Information — Description of Key Statement of Profit or Loss Items” and “Financial Information — Key Financial Ratios.” If any of the abovementioned situations were to occur, our business, financial condition and results of operations could be adversely affected.

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

We have disclosed our seven pipeline programs which we expect to release between the fourth quarter of 2022 and the second quarter of 2023, with details such as their expected release time and program description. See “Business — Our Businesses — Variety Program IP Production, Operation, and Licensing — Programs Released After the Track Record Period and Pipeline Programs.” We expect to release the seven pipeline programs at their expected release time, however, we cannot guarantee that we will be able to release them or release them on their expected release time.

The program description, expected release date, expected release platform and other information related to our pipeline programs represent our best efforts to describe their status as of the Latest Practicable Date. However, such information may prove to be different from actual outcomes due to a number of factors. For example,

- we may not be able to enter into letters of intent or definitive contracts for programs that have passed internal project approvals;
- our signed letters of intent may not materialize into definitive contracts with similar terms;
- our signed definitive contracts may not be fully performed in accordance with their terms, or may be amended, modified, altered, terminated, or canceled;
- program content may be subject to change during the production and post-production stages;
- the expected release platform may be subject to change as negotiation advances;
- we may not be able to sell our programs to additional platforms to gain additional revenue; programs that we have completed production may not be delivered on time, or if they are, they may not be broadcast on time, all of which will affect the timing of recognition of revenue;
- our programs may not be completed with the budget or return-on-investment that we anticipated; and
- we may not receive payments on time or at all, even if our programs are broadcast.

The production and release of our pipeline programs may also be delayed or suspended due to force majeure events, such as the recent coronavirus outbreak in China. As a result, investors are cautioned and not rely on the information of our pipeline programs presented in this document as an accurate indicator of our future earnings.

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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.

We rely on the contribution of industry professionals participating in the development, production and promotion of our variety programs, including screenwriters, producers, directors, artists, promotion agencies and other third-party suppliers. For example, we have cultivated and inspired many influential directors, such as Mr. Jin Lei (金磊), Mr. Xu Xiangdong (徐向東), Mr. Lu Wei (陸偉), Ms. Shen Ning (沈寧), Mr. Wu Qunda (吳群達) and Mr. Zhang Li (章驪), who have produced and operated our large variety programs. Although we are dedicated to building a stable talent pipeline to train and promote more talented directors, most of our variety programs are co-directed by a team of experienced directors and we do not place reliance on any particular director to produce a certain variety program, there can be no assurance that they will continue to work with us on acceptable terms or at all, or that the costs associated with attracting alternative talents and/or third-party service providers will be reasonable. Our industry also lacks quality talents, for which producers compete intensively. We cannot assure you that we will be able to acquire and retain suitable quality talents and/or other third-party suppliers to develop and operate our IPs and/or provide other services and products. If we fail to acquire and retain highly qualified industry professionals and/or other third-party suppliers on favorable terms or if talents with whom we work lose their current popularity, our revenue and profitability could be adversely affected. In addition, any lawsuits, personal misbehaviors, rumors or negative publicity involving key artists in our variety programs, our management or our business partners could negatively affect the distribution of corresponding programs and may even result in termination of the licensing agreements, co-investment agreements or even termination the broadcast of our programs. For example, Publicity Department of the Communist Party of China published the Notice on Carrying out Comprehensive Management in the Field of Culture and Entertainment in September 2021. The Office of the Central Cyberspace Affairs Commission published Notice on Further Strengthening the Management of Chaos in the “Fan circle” in August 2021. Any misbehaviors of artists or violation of the relevant laws, regulations and polices by us will negatively affect our distribution of our corresponding programs, which will materially and adversely affect our business, financial condition 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.

We operate in an industry that places a premium on creative abilities and artistic talents. Many of our work products resulting from our creative activities are protected by intellectual property rights, on which our business relies to stay competitive in the marketplace. The success of our business depends substantially upon our continued ability to create and use our brand, copyrights, trade names and trademarks to increase brand awareness and to further develop our brand and reputation. The unauthorized reproduction of our trade names or trademarks, the unauthorized copy or production in a similar format of our programs under

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production and the unauthorized broadcast of our products and contents could diminish the value of our brand and/or the relevant products and contents, competitive advantages or goodwill. Misappropriation or misuse of our intellectual property by third parties may also harm our reputation. Therefore, we face the risk of intellectual property infringement and the development of pan-entertainment industry, especially rise of IPs, objectively increase the risk of intellectual property infringement and disputes.

We rely on a combination of copyrights, trademarks, trade names, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights. Nevertheless, these afford only limited protection, and policing unauthorized use of proprietary information can be difficult and expensive. In addition, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving, and could expose us to substantial risks. Intellectual property laws in China may not protect intellectual property rights to the same extent as other countries, and it may be difficult for us to stop the infringement, misappropriation or other violation of our intellectual property rights. Proceedings to enforce our intellectual property rights could result in substantial costs and divert our efforts and attention from other aspects of our business. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce or protect our intellectual property rights may be ineffective and costly, which could have a material adverse effect on our business, results of operations, reputation and prospects.

Our operating results are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenue and results of operations. Being affected numerous factors, such as viewer’s preferences and habits, and broadcasting platform’s schedule, the broadcasting of our programs, dramas and movies are subject to seasonal fluctuations. Usually the level of TV program and online program development and production activities increases from the second quarter to the second half of the calendar year. In addition, there are special primetime slots targeted at young people during their summer break and winter break from school in July and August, and the fourth quarter of the year. Such seasonal fluctuations in the level of TV program and online program development and production activities may affect the level of advertising investments by corporate sponsors. As a result, in general, we expect our revenue, gross profit and net profit to be relatively higher in the second half of the year than in the first half. For example, we generated revenue of RMB412.1 million for the six months ended June 30, 2020, representing only 26.4% of the revenue generated for the full year ended December 31, 2020, which was RMB1,559.9 million. We generated revenue of RMB154.6 million for the six months ended June 30, 2021, representing only 13.7% of the revenue generated for the full year ended December 31, 2021, which was RMB1,126.7 million. It may not be meaningful to project our full year results from our interim results. Any seasonal fluctuations in our revenue and results of operations could result in volatility and cause the price of our shares to fall.

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

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. As a result, our operations have to a certain extent been impacted by delays in business activities, commercial transactions and general uncertainties surrounding the duration of the governments' extended business and travel restrictions. In particular, the travel restrictions resulted in the reduction in scale or even cancellation of our offline events, which temporarily adversely affected our marketing activities. Moreover, the related policies or restrictions keep evolving and changing due to the unpredictable outlook of global COVID-19. Besides, the COVID-19 outbreak had also resulted in regulatory approval delays due to government-imposed lockdowns and workplace closures. Further, 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 and countries 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.

During the outbreak of COVID-19, our results of operations in 2020 and 2021 were particularly affected by the (i) postponement in broadcasting schedules, (ii) additional production costs and (iii) delay in offline entertainment events and concerts. As a result, our revenue decreased by 13.7% from RMB1,806.6 million in 2019 to RMB1,559.9 million in 2020 and further decreased by 27.8% to RMB1,126.7 million in 2021.

Moreover, we took a series of measures in response to the outbreak to protect our employees, including, among others, temporary closure of our offices, remote working arrangements for our employees, and travel restrictions or suspension. These measures temporarily reduced the capacity and efficiency of our operations. We also provided our employees with masks, hand sanitizers and other protective equipment immediately after the outbreak, which had increased and may continue to increase our operations and support costs. In addition, our business operations could be disrupted if any of our employees is suspected of contracting the COVID-19 or any other epidemic disease, since our employees could be quarantined and/or our offices may have to be shut down for disinfection.

While the lock down and various social distancing initiatives adopted by the governments during the outbreak of COVID-19 have caused people to turn to online social and entertainment activities in lieu of physical gatherings, these measures have led to reduction of business activities in general. Furthermore, any increase in demand for online social and entertainment activities as a result of the lock down and various social distancing initiatives associated with the COVID-19 outbreak may be temporary and not sustainable. The general concerns and uncertainties about the pandemic and the economy and the overall weakening consumer sentiment may have negatively affected our business.

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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. As a result, we may have to again postpone or even cancel the recording of our programs and/or offline events. We may also have to increase our budget to take protective measures. The extent of the disruption to our business and the related impact on our financial results and outlook cannot be reasonably estimated at this time. The potential downturn brought by and the duration of the COVID-19 outbreak may be difficult to assess or predict as the actual effects will depend on many factors beyond our control. While we believe the impact on our business due to the outbreak of COVID-19 is limited, it is hard for us to quantify the impact and estimate the extent to which the COVID-19 outbreak impacts our long-term results.

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.

Our success depends on the continuous and collaborative efforts of our senior management team and other key employees, including those from production and operation functions, our superior directors and artists, in particular their familiarity with our business operations and their experience, expertise and influence in the entertainment industry in the PRC. In particular, we rely on the expertise, experience and leadership of certain experienced management, such as our Chairman, Mr. Tian, who has approximately 30 years of relevant experience in media industry. We do not maintain key person insurance. Competition for competent candidates in the industry is intense and the pool of competent candidates is limited. If we lose the services of one or more of our key personnel, we may not be able to find suitable or qualified replacements easily or at all and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, the implementation of our business strategies could be delayed, and our financial condition and results of operations could be materially and adversely affected. In addition, if any member of our key personnel joins a competitor or forms a competing business, we may lose crucial technological know-how, business secrets, customers and other valuable resources. Each of our key personnel has entered into a confidentiality and non-compete agreement with us. We cannot assure you, however, the extent to which any of these agreements will be enforceable under the applicable laws.

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.

We recorded net carrying amount of goodwill of RMB2,256.3 million, RMB1,851.9 million, RMB1,465.3 million and RMB1,478.4 million as of December 31, 2019, 2020, 2021 and June 30, 2022, which were in connection with our acquisition of MXQY and film rights business, representing 42.7%, 36.3%, 32.2% and 33.3% of our total assets, respectively. As of

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December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded other intangible assets of RMB186.0 million, RMB163.1 million, RMB153.3 million and RMB159.4 million, respectively, which represented identifiable intangible assets including software, trademarks, film rights and music copyrights. We undertake impairment assessment on goodwill and other intangible assets annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If the carrying value of our goodwill or other intangible assets is considered to exceed their recoverable amount and our goodwill or other intangible assets are therefore determined to be impaired in the future, we would be required to write down the carrying value or record a provision of impairment loss on goodwill or other intangible assets in our financial statements during the period in which our goodwill or other intangible assets are determined to be impaired. We face risks of impairment of goodwill and other intangible assets, and any significant impairment of goodwill and other intangible assets will adversely affect our business, financial condition and prospects.

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amounts of the cash-generating units to which the goodwill is allocated. Recoverable amount is the higher of fair value less costs of disposal and value in use. Our Directors consider that cash-generating unit’s value in use is higher than its fair value less costs of disposal based on the current available information. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Assumptions were used in the value in use calculation of the cash-generating units for the Track Record Period, including but not limited to budgeted gross margins, pre-tax discount rates, growth rates and other factors based on our past experience and external information sources. If any of the assumptions used in our impairment test does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and other intangible assets and record a significant impairment loss, which could in turn adversely affect our financial position and results of operations. We performed impairment test on goodwill at the end of 2019, 2020 and 2021 and first half of 2022, and recognized impairment loss of goodwill of nil, RMB386.8 million, RMB380.7 million and nil in 2019, 2020 and 2021 and first half of 2022, respectively, for MXQY in our consolidated statements of profits or loss. For detail, 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.

We are exposed to the impairment on prepayment, other receivables and other assets, which could adversely affect our results of operations and financial condition.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had prepayments, other receivables and other assets of RMB144.8 million, RMB147.8 million, RMB118.6 million and RMB219.5 million, respectively. In the application of our accounting policies, our management is required to make judgments based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. See Note 24 to the Accountant’s Report in Appendix I to this document. During the Track Record Period, we recorded impairment losses on financial assets included in prepayments,

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other receivables and other assets of RMB3.3 million, RMB0.6 million and RMB0.6 million in 2019, 2021 and for the six months ended June 30, 2022, while we recorded reversal of impairment losses on financial assets included in prepayments, other receivables and other assets of RMB5.6 million in 2020. We cannot guarantee that we will not expose to the impairment on prepayment, other receivables and other assets in future, which could adversely affect our results of operations and financial condition.

The entertainment industry in which we operate in is highly competitive. We may not be able to compete effectively, which could materially and adversely affect our business, financial condition, results of operations and prospects, as well as our reputation and brands.

The entertainment industry in China is fragmented and highly competitive. We face fierce competition from other producers of video and music contents. Due to the large production volume of variety programs, drama series and movies in China and the limited available broadcasting channels and screens, we compete with other production companies for the broadcasting of our variety programs and drama series and screening of movies. In particular, if the release schedules of our variety programs, drama series or movies overlap with the release of similar variety programs, drama series or movies by our competitors, the release of our variety programs, drama series or movies may be delayed as it generally takes more time to negotiate with and convince our customers to broadcast our variety programs, drama series or movies instead of the one from our competitors. If the TV stations and online video platforms we are trying to sell our variety programs, drama series or movies to in the end choose to purchase video contents produced by our competitors, our business may be adversely affected. Moreover, the variety programs, drama series or movies production industry themselves are evolving fast. Increasingly more TV stations and online video platforms have started self-producing variety programs, drama series or movies to ensure their exclusive broadcasting rights, and some web series are produced exclusively for online broadcasting. These new changes in the rapidly changing drama series and film production industry intensify the already fierce competition. Therefore, we cannot assure you that we will be able to maintain or increase our market share in the future.

We also face competition from imported drama series and movies. If the current restrictions limiting the number and broadcasting period of foreign drama series and movies are eased or eliminated, the competition may become more intense.

We are exposed to credit risk arising from our large amounts of trade and notes receivables. Failure to collect our trade and notes receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

Our cash flows and profitability are subject to the timely settlement of payments by our customers. During the Track Record Period, we generally granted a credit period of 30 days from the date of billing to our customers. In practice, however, the settlement and payment process with our customers under the revenue sharing model usually takes longer time than that

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with customers under the commissioned production model because payments under the revenue sharing model are usually made in several installments. We also need to verify the amounts to be paid with customers before the invoices are issued. Such practices may prolong the turnover days for our trade receivables under the revenue sharing model. As of December 31, 2019, 2020, 2021 and June 30, 2022, our trade receivables were RMB1,258.9 million, RMB1,067.8 million, RMB1,011.2 million and RMB783.4 million, respectively. In 2019, 2020, 2021 and for the six months ended June 30, 2022, turnover days of our trade receivables were approximately 234 days, 272 days, 337 days and 885 days, respectively.

We cannot assure you that we will be able to collect all or any of our trade and notes receivables or collect the amount for any unbilled work on time, or at all, after meeting the agreed program payment milestones. Our customers may face unexpected circumstances, including, but not limited to, financial difficulties caused by fiscal constraints or changes in fiscal policy of the government. Our customers may delay or even default in their payment obligation. As a result, we may not be able to receive such customers' payment of uncollected debts in full, or at all, and we may need to make provisions for trade and notes receivables. The occurrence of such events would materially and adversely affect our financial condition and results of operations. As of December 31, 2019, 2021 and June 30, 2022, we recognized impairment loss of trade receivables of RMB41.9 million, RMB9.7 million and RMB9.2 million, respectively. As of December 31, 2020, we recognized reversal of impairment loss of trade receivables of RMB13.3 million.

If we fail to provide the underlying services or products for the prepayments we received from our customers, our results of operations and financial condition may be adversely affected.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded contract liabilities in the amount of RMB100.7 million, RMB17.0 million, RMB19.7 million and RMB71.5 million, respectively. Our contract liabilities mainly represent short-term advances that we receive from media platforms and customers. See “Financial Information — Discussion of Certain Balance Sheet Items — Liabilities — Other Payables and Accruals.” If we fail to fulfill our obligations under our contracts with media platform and customers, we may not be able to recognize such contract liabilities as revenue, and our customers may also require us to refund the advances we have received upfront, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and in turn, our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with media platform and customers, it may also adversely affect our relationship with such media platform and customers, which may in turn affect our reputation and results of operations in the future.

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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.

The PRC government has enacted laws and regulations governing the distribution and broadcast of video content programs through TV networks and Internet. Pursuant to the laws and regulations in the PRC, each TV program need to be registered with the National Radio and Television Administration, or the NRTA, before broadcasting, and NRTA can, at their own discretion, require video program producers to re-edit programs. For example, if any celebrities on our programs are involved in any negative publicity, NRTA may require us to re-edit or to reshoot our programs. In some cases, the requirements of NRTA could change rapidly, and the requirements might change quite frequently. Under this circumstance, it has rights to cancel the scheduled broadcast of video contents that do not meet the new requirements. Many of our variety programs are subject to review by the NRTA prior to broadcasting. Moreover, certain PRC government authorities have their own media objectives. Video contents that fail to incorporate these media objectives may not be broadcast as requested by such government agencies. If any of the above-mentioned situations were to occur, the original broadcast schedule might be affected, and we might need to incur additional cost to reproduce our programs, which could have a material adverse effect on our business operations.

In addition, there is no assurance that the competent authorities will not impose additional or more stringent laws or regulations on the investment, development, production, distribution and broadcast of video content programs in the future. For example, the Notice on Further Strengthening the Management of Chaos in the “Fans Circle” (《關於進一步加強“飯圈”亂象治理的通知》) was promulgated by Office of the Central Cyberspace Affairs Commission on August 25, 2021. This notice requires the local offices of the Central Cyberspace Affairs Commission to enhance the supervision on “fan circle” culture with specific measures, including, among others, strengthening the regulation on content and format of internet variety programs, and prohibiting any mechanisms in variety programs which allow audience to purchase votes for contestants or encourage audience to spend money in shopping merchandise or subscribing membership to obtain votes for contestants. In September 2021, Publicity Department of the Communist Party of China published the Notice on Carrying Out Comprehensive Management in the Field of Culture and Entertainment (《關於開展文娛領域綜合治理工作的通知》), which requires relevant government agencies to strengthen supervision on cultural and entertainment industry. In addition, the Circular on Further Strengthening the Management of Cultural Programs and Their Personnel (《關於進一步加強文藝節目及其人員管理的通知》) was promulgated by the NRTA on September 2, 2021. Under this circular, broadcast and television institutions and internet video platforms may not broadcast variety programs and reality shows that feature the children of celebrities or idol development programs. Competitive talent shows are required to strictly control the voting mechanisms and may not use arrangements prompting fan’s off-site voting, ranking list and fans support activities. It is strictly prohibited to encourage fans to spend money in shopping merchandise, subscribing membership or other ways of spending to indirectly vote for contestants. In addition, this circular requires that the programs produced or broadcast by radio and television institutions and online audio-visual platforms may not have appearance of

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persons who have incorrect political views, who act against the core values upheld by the state, or who committed an illegal act or breached the principles of fairness and justice. For more information, see “Business — Compliance Matters — Regulations Relating to Cultural and Entertainment Content” in this document. The regulatory developments for the PRC entertainment industry may lead to an increase in our compliance costs, delay in or even cancellation of broadcasting our programs, which may adversely affect our business, financial condition and results of operations.

The PRC government regulates entertainment industry, the video content market and internet industry extensively, and we are subject to laws, regulations and government actions based on the business we operate.

The video content market is regulated extensively in China, and our development, marketing, production and distribution of video content are subject to various PRC laws and regulations. A radio and television programs production company in China must obtain the Permit for Production and Operation of Radio and TV Programs (廣播電視節目製作經營許可證) to produce radio and television programs. In addition, pursuant to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) and the Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》), we are required to obtain the Value-added Telecommunications Business Operation License for information services via Internet, or ICP License, and Internet Cultural Business License, or ICB License, for Internet cultural business. After obtaining the ICP License and ICB License, we are required to operate business strictly in accordance with the production and distribution scope approved by relevant PRC laws, regulations and policies. Certain types of content such as those opposing the fundamental principles in the Constitution of the PRC, compromising the state’s solidarity, sovereignty or territorial integrity are strictly prohibited, pursuant to the Regulations on Radio and Television Administration (Revised in 2020) (《廣播電視管理條例(2020年修訂)》) promulgated by the State Council on August 11, 1997 and last amended on November 29, 2020. See “Business — Licenses and Permits” for the permits we hold, and “Regulations” for details on the regulations in the businesses we operate. Any violation of these laws or regulations may result in penalties, including fines, cancelation of permit and even criminal responsibility.

The PRC government also extensively regulates the Internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the Internet industry. These Internet industry-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve uncertainties and are subject to changes. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

We have obtained required licenses and permits for our operations. However, if we fail to obtain, maintain or renew any licenses which are required for our operation, or obtain any additional licenses and permits or make any records or filings required by new laws, regulations or executive orders required for our new business in a timely manner or at all, we could be subject to liabilities or penalties, and our operations could be adversely affected.

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Our business may also be adversely affected by changes in national or local policies, as well as the laws and regulations relating to our industry, and there can be no assurance that the PRC government will not change the existing laws or regulations, or adopt additional or more stringent laws or regulations applicable to us and our business operations. For example, SAMR promulgated new anti-trust control regulations in 2021, aiming to improve anti-monopoly administration on online platforms. For details, see “Business — Compliance Matters — Regulations Relating to Anti-trust Control.” In light of the recent regulations relating to anti-trust control, we renegotiated the terms and entered into a non-exclusive music licensing contract with a leading online music platform in China in September 2021 with respect to the audio recordings in association with one of our music variety programs. Generally, non-exclusive music licensing contract generates less revenue than exclusive contract. Any changes to such laws and regulations or their interpretation or enforcement may expose us to the risk of non-compliance and may require us to conform our activities and operations to comply with such laws and regulations. We cannot predict the nature of such future laws, regulations, interpretations or applications, nor can we predict their impact on our business.

We are subject to a variety of costs, risks and uncertainties in executing our growth strategies, such as capturing expansion opportunities in existing and new business initiatives. We may not be successful in executing these growth strategies and our results of operations and business prospects could be materially and adversely affected as a result.

We continue to execute a number of growth initiatives, strategies and operating plans designed to diversify our business and unleash the monetization potential of our leading position in China’s entertainment market. We launched certain IP-related businesses in recent years, such as arts education and training, consumer products based on our IPs, and developments and operation of themed attractions. Our business plans and strategies have been formulated based on a number of assumptions and ongoing successful cooperation with our business partners. These business initiatives are still at the early stages of development and haven’t become our major revenue contributors. We cannot assure you that any of these business initiatives will achieve wide market acceptance, increase the penetration of our addressable market or generate revenues or profit. If our efforts fail to enhance our monetization abilities, we may not be able to maintain or increase our revenues or recover any associated costs, and our business and results of operations may be materially and adversely impacted.

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Our expansion strategies have also placed, and will continue to place, substantial demands on our managerial, operational, financial and other resources. The following factors are critical to our success:

- our ability to continuously source and create viewer-engaging content;
- our ability to develop and maintain relationships with TV stations and online platforms;
- our ability to retain and attract well-known and experienced directors, artists, scriptwriters, producers, and operators;
- our ability to identify and ramp up new business in a timely manner;
- our ability to create synergies among all our businesses;
- our ability to obtain relevant governmental permits and approvals;
- our ability to develop and improve our existing administrative and operational systems;
- stringent cost controls and working capital management; and
- effective recruiting, training and retention of our management personnel.

The execution of our growth strategies will incur substantial costs and require substantial resources. We may not be able to manage our current or future operations effectively and efficiently to compete successfully in our existing markets or the new markets that we enter. We may also need to adjust our business plans and growth strategies from time to time, which could involve uncertainties. If our business plans and growth strategies fail to perform as expected, our business, financial condition and results of operations could be materially and adversely affected.

Our financial assets at fair value through profit or loss are subject to uncertainties in accounting estimates. Fluctuations in the changes in fair value of such financial assets would affect our financial results.

In the application of our accounting policies, our management is required to make judgments based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. See Note 20 to the Accountants' Report in Appendix I to this document. As such, we believe that our financial assets at fair value through profit or loss are subject to the accounting estimates and judgments and therefore warrant particular attention.

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For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. See Note 2.4 to the Accountants’ Report in Appendix I to this document. Some of our financial assets are measured at fair value at the end of each reporting period.

During the Track Record Period, our financial assets at fair value through profit or loss refer to the listed equity investments of Tencent Music Entertainment Group at fair value held by us. The financial assets valuation has been, and will continue to be, subject to uncertainties in accounting estimation beyond our control, which may not reflect actual fair value of these financial assets and result in significant fluctuations in profit or loss from year to year. To the extent we need to revalue these financial assets, any change in fair value and related valuation uncertainty could materially affect our financial condition and results of operations. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded financial assets at fair value through profit or loss in the amount of RMB27.2 million, RMB45.1 million, RMB16.8 million and RMB13.0 million, respectively.

Pandemics and epidemics, natural disasters, terrorist activities, political unrest, and other *force majeure* may disrupt our artists, production, delivery, and operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

In recent years, there have been outbreaks of epidemics globally. In addition to the impact of COVID-19 as described above, our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of other widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome, Ebola, or Zika or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the countries and regions we operate in could materially disrupt our business and operations. Such events could also significantly affect our industry and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition, results of operations and prospects. Our operations could be disrupted if any of our employees were suspected of having any of the epidemic illnesses, since this could require us to quarantine some or all of such employees or disinfect the facilities used for our operations. In addition, our revenues and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the Chinese or global economy in general. Our operations could also be severely disrupted if our customers, suppliers or other participants were affected by such natural disasters, health epidemics or other outbreaks.

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We may be subject to social and natural catastrophic events that are beyond our control, such as natural disasters, health epidemics, riots, political and military upheavals and other outbreaks in the country or region where we have our operations or where a portion of our audiences are located. Such events could significantly disrupt our operations and negatively impact our business, financial condition, results of operations and prospects.

If we determine program copyrights to be impaired, our results of operations and financial condition may be adversely affected.

Program copyrights represent legal rights of variety programs and drama series held by our Group. These rights are stated at cost less accumulated amortization and identified impairment loss. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded program copyrights of RMB15.5 million, RMB95.8 million, RMB109.6 million and RMB136.5 million. Program copyrights are assessed for impairment whenever there is an indication that the program copyrights may be impaired. Impairment loss is recognized in the statement of profit or loss. The recoverable amounts of the program copyrights are determined and reviewed on a title-by-title basis and are based on the higher of fair value less costs of disposal and value in use which include unobservable inputs and assumptions derived by our Group. For more details, see “Financial Information — Critical Accounting Policies and Estimates — Financial Liabilities — Program copyrights.” We cannot guarantee you that in the future we will not record any impairment loss on our program copyrights, which will have a material adverse effect on our business, financial condition and results of operations.

We may be subject to claims by third parties for intellectual property infringement.

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business. However, we cannot assure you that third parties will not put forward claims that our business infringes upon or otherwise violates copyrights or other intellectual property rights which they hold, whether valid or otherwise. Creative content such as scripts and music used in our programs may infringe on intellectual property rights of third parties.

In addition, under PRC laws, the copyright in a cinematographic work or in a work created by a process analogous to cinematography shall be enjoyed by the producer of the work, while its scriptwriter, director, cameraman, lyricist, composer and other authors shall own the right of authorship therein and shall be entitled to receive remuneration in accordance with the terms of the agreement concluded between them and the producer. Ownership of the copyright in an audio-visual work other than cinematographic work or television drama work shall be subject to the agreement between the parties concerned. If there is no agreement or the agreement is unclear, the producer of the work shall own the copyright, provided that the author shall have the right of authorship to such work and the right to obtain remuneration therefrom. The authors of the script, the musical works and the other works which are included in a cinematographic work or in a work created by a process analogous to cinematography and which can be exploited separately shall be entitled to exercise their copyright independently. Therefore, the issue of intellectual property rights entitlement may exist among the production

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parties involved in our video content operation business. These parties provide materials to us, and various script writers, directors, artists, cameramen, lyricists and composers engaged in production of our television and online programs. It might be time-consuming and costly to apply for and maintain those intellectual property rights.

In addition, we may become involved in litigations and proceedings relating to allegations of infringement of intellectual property rights, defamation and violations of rights of third parties. The validity, enforceability and scope of protection of intellectual property rights, particularly within China, are still evolving. As we face increasing competition and as litigation becomes a more commonly pursued method for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. Further, there is no guarantee that we can obtain favorable final outcomes in all cases. Such intellectual property claims, even if they are frivolous or do not result in liability, may harm our brand and reputation. Any resulting liability or expenses, or required changes to our programs or services to reduce the risk of future liability, may have a material adverse effect on our business, results of operations and prospects.

Any acts of bribery, corrupt practices, money-laundering or other improper conducts of our employees may materially and adversely affect our business, reputation, results of operations and financial condition.

In recent years, the State Council and various PRC government authorities have intensified and stepped up their efforts to combat bribery, corrupt practices, money-laundering and other improper conducts in the PRC. We cannot assure you that our employees will not be engaged in acts of bribery, corruption, money-laundering or other improper conducts. There is also no assurance that our internal control and risk management systems will prevent or detect any improper or illegal acts of our employees. The failure of our employees to comply with the PRC anti-corruption and other related laws and regulations may subject us to substantial financial losses and may have a negative impact on our reputation. In addition, if any of our co-investors are subject to investigations, claims or legal proceedings as a result of such improper or illegal acts, they may be subject to fines and penalties and thus may not be able to contribute their portion of investment funds to our projects on schedule or at all, thereby delaying the project progress. Any of the abovementioned circumstances may materially and adversely affect our business, reputation, results of operations and financial condition.

We may incur share-based compensation expenses in the future, which may result in increased labor costs, and affect our profitability.

Our operations require a sufficient number of qualified employees. We adopted and may adopt in future share incentive arrangements to grant share-based compensation awards to our employees, directors and consultants to incentive their performance and align their interests with us. On November 10, 2016, Canxing Culture adopted an employee share incentive scheme

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(the “Canxing ESOP Plan,” which was terminated on May 14, 2021 as part of the Reorganization in preparation for the [REDACTED]). During the Track Record Period, we recorded equity-settled share award expenses of RMB26.0 million, RMB27.5 million, RMB27.4 million and nil in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. As part of the Reorganization, East Brothers was established in the BVI, which is owned by Mr. Tian as to 81.76%, of which 42.47% interest reflects the equity interests by all the Caxing ESOP Holders. Such interests are reserved for future distribution to eligible participants pursuant to the employee share incentive scheme to be adopted by the Company after [REDACTED]. For more information, see “History, Reorganization and Corporate Structure — Reorganization — Offshore Restructuring.” Our obligation to pay the share-based compensation expenses in the future will increase our labor costs, which may adversely affect our financial condition, and results of operations.

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

We may be involved in claims, disputes or legal proceedings in our ordinary course of business from time to time. These may concern issues relating to, among others, breach of contracts, employment or labor disputes and infringement of intellectual property rights. For example, in April 2019, Caxing Culture initiated a lawsuit against Munhwa Broadcasting Corporation (the “MBC”) for breach of contract in relation to jointly production of a variety program, demanding MBC to return 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 its counter-claims, demanding us to pay an aggregate amount of RMB47.5 million, primarily covering production fee, penalty for breach of contract, and accrued interests for overdue payment. In September 2021, the court ruled that Caxing Culture should pay production consulting services fee of RMB10 million and accrued interest for overdue payment to MBC. We had appealed on October 11, 2021. On November 11, 2021, we were notified that MBC had appealed against the first instance on October 13, 2021. The Shanghai High People’s Court, which is the court of the second instance, affirmed the ruling in August 2022. In July 2020, MBC brought another lawsuit against Caxing Culture for breach of contract in relation to a variety program, demanding us to pay the program licensing fee, profit generated from the licensing of broadcasting rights, advertising sales, licensing of tie-in merchandise, damages and others, with an aggregate amount of RMB124.4 million in total. The court rendered judgment on this case in November 2022 and awarded MBC an aggregate amount of approximately RMB11.9 million, consisting of a portion of the profit from advertising sales and licensing of broadcasting rights of “Guess the Singer! 2016,” as well as damages for breach of contract. We have fifteen days to appeal the case since we received the judgment on December 2, 2022. In addition, an artist participated in the production of three episodes of one of our variety programs in 2016. There was no formal performance contract between the artist’s then management company, Hummingbird Music Ltd. (“Hummingbird”), and us. In July 2022, 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. As of the Latest Practicable Date, the lawsuit was in the first instance and the court did not render judgment on this case. For more information, see “Business — Legal

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Proceedings” in this document. As advised by our PRC Legal Advisor, these cases are all disputes regarding contract payments, which do not challenge our intellectual property rights on the two above mentioned variety programs. Taking into account the above legal opinion and financial resources available to our Group, our Directors are of the view that these cases will not have a significant impact on our operation. However, we cannot guarantee you that we can obtain favorable outcome on these cases or our financial results and operations will not be adversely affected.

In addition, in February 2016, Talpa Global B.V. submitted to Hong Kong International Arbitration Center an intellectual property infringement dispute against SCML and MXQY. The parties involved reached a settlement and the arbitration was subsequently terminated in November 2017. In June 2016, Zhejiang Talent Television & Film Co., Ltd. (浙江唐德影視股份有限公司, or “Zhejiang Talent”) filed a lawsuit against us, claiming infringement of Zhejiang Talent’s trademark and unique name of service. We and Zhejiang Talent reached a settlement and Zhejiang Talent subsequently withdrew the claims in July 2018. Both the arbitration and the litigation were fully settled before the Track Record Period and did not have any material adverse impact on our financial condition and business operation. However, we cannot guarantee that we will not be subject to similar disputes brought by other parties in the future. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources. In addition, the outcome of such proceedings or disputes may be uncertain and could result in settlement or outcomes which may adversely affect our financial condition and results of operations.

Our historical results may fluctuate and may not be indicative of our future performance.

Our financial condition and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, including but not limited to:

- general economic and social conditions and government regulations or actions pertaining to the industries where we operate;
- increased competition and changing market demands;
- financing conditions of capital and debt markets;
- expansion and related costs in a given period; and
- our ability to control our cost of sales and other operating costs, and to enhance our operational efficiency.

In addition, we may not sustain our past growth rates in future periods, and we may not sustain profitability in the future. Our historical results, growth rates and profitability may not be indicative of our future performance. Our Shares could be subject to significant price volatility should our earnings fail to meet the expectations of the investment.

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We may fail to recover our deferred tax assets, which could adversely affect our financial positions in the future.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded deferred tax assets of RMB53.0 million, RMB44.9 million, RMB60.8 million and RMB60.9 million, respectively. Under our accounting policies, we periodically assess the probability of the realization of deferred tax assets, using significant judgements and estimates with respect to historical operating results, expectations of future earnings, tax planning strategies and other related factors. According to our accounting policy, we recognize deferred tax assets relating to certain temporary differences and tax losses when our management considers it is probable that future taxable profit will be available and as a result, the temporary differences or tax losses can be utilized. However, there is no assurance that our judgements or estimates based on the expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may fail to recover our deferred tax assets which thereby could have an adverse effect on our financial positions in the future.

We may need additional capital for our operations and we may not be able to obtain it on acceptable terms or at all, which could adversely affect our liquidity and financial condition.

Our business requires significant capital investment upfront. Historically, we have financed our business activities in part through (i) cash generated from our operations; (ii) proceeds from [REDACTED] investments; and (iii) bank and other borrowings. If our current sources are insufficient to satisfy our cash requirements, we may seek additional debt or equity financing or obtain a credit facility. The issuance of additional equity securities or convertible debt securities could result in dilution to our shareholders. The incurrence of indebtedness could result in increased debt service obligations, increased finance costs and operating and financing covenants that would restrict our operations and liquidity and negatively impact our financial performance.

Our ability to obtain additional capital on acceptable terms is subject to a variety of risks and uncertainties, including:

- investors’ perception of, and demand for, our securities;
- prevailing conditions of the capital markets in which we seek to raise funds;
- investors and/or lenders dynamics and outlook of capital markets;
- our financial performance and gearing ratio;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulations of the video content market in China;

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- PRC governmental policies relating to foreign currency; and
- economic, political and other conditions in China.

Any failure by us to raise additional funds that are necessary for our operations on terms favorable to us could have a material adverse effect on our liquidity and financial condition.

Our strategic alliances, investments or acquisitions or share of results of our joint ventures and associates may have a material adverse effect on our business, reputation, financial condition and results of operations.

We have made selected strategic investments and acquisitions, and, from time to time, we may have a number of pending investments and acquisitions that are subject to closing conditions. We expect to continue to evaluate and consider potential strategic transactions as part of our overall business strategy, including business acquisitions, strategic investments, joint ventures and alliances. At any given time, we may be engaged in discussing or negotiating a range of these types of transactions. These transactions also involve significant challenges and risks, including:

- difficulties integrating into our operations with the personnel, operations, products, services, technology, internal controls and financial reporting of companies we acquire;
- disrupting our ongoing business, distracting our management and employees and increasing our expenses;
- losing skilled professionals as well as established client relationships of the businesses we invest in or acquire;
- for investments over which we do not obtain management and operational control, we may lack influence over the controlling partner or shareholder, which may prevent us from achieving our strategic goals in such investment;
- new regulatory requirements and compliance risks that we become subject to as a result of acquisitions in new industries or otherwise;
- actual or alleged misconduct or non-compliance by any company we acquire or invest in (or by its affiliates) that occurred prior to our acquisition or investment, which may lead to negative publicity, government inquiry or investigations against such company or against us;
- unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets;

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- regulatory hurdles including in relation to the anti-monopoly and competition laws, rules and regulations of China and other countries in connection with any proposed investments and acquisitions;
- the risk that any of our pending or other future proposed acquisitions does not close;
- the costs of identifying and consummating investments and acquisitions;
- the use of substantial amounts of cash and potentially dilutive issuances of equity securities;
- the occurrence of significant goodwill impairment charges and amortization expenses for other intangible assets; and
- challenges in achieving the expected benefits of synergies and growth opportunities in connection with these acquisitions and investments.

In addition, our strategic investments and acquisitions may affect our liquidity, financial condition and results of operation. Any significant cash outflow as a result of such strategic investments and acquisitions can affect our liquidity and our ability to undertake other initiatives to grow our business and ecosystem. Acquired businesses that are loss-making may continue to sustain losses and may not become profitable in the near future or at all. As of December 31, 2019, 2020 and 2021, and June 30, 2022, the carrying amount of investment in joint ventures and associates were RMB409.4 million, RMB408.6 million, RMB826.2 million, and RMB832.7 million, respectively. Even if we recognize share of profits of these joint ventures and associates under equity reporting method, there is no assurance that our invested joint ventures and associates will declare and/or pay any dividends because the declaration, payment and amount of dividends are subject to the discretion of directors of joint ventures and associates, depending on, among other considerations, their operations, earnings, cash flows and financial positions, constitutional documents and applicable laws. Therefore, we cannot assure you that investment in joint ventures and associates are as liquid as other investment products. In addition, if the share of profits of these joint ventures and associates were to fluctuate, our results of operations may be adversely affected. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, we incurred losses in connection with our joint ventures and associates of RMB2.6 million, RMB1.0 million, RMB1.5 million and RMB1.7 million, respectively.

Any above-mentioned situations may have material adverse impact on our business, results of operations and financial conditions.

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Our investment in property development is lengthy and capital-intensive, and our capacity to generate cash or obtain financing on favorable terms may be insufficient to meet our anticipated cash requirements.

To provide better support to our production and operation of pan-entertainment IPs and benefit our ecosystem participants, we have invested in developing a movie and television base in Songjiang, Shanghai. We also acquired the land-use rights of certain land parcels in Xi’an, Shaanxi in 2021, which was subsequently transferred to Shaanxi Star Shuolan Real Estate Co., Ltd. (陝西星空碩藍置業有限公司, or “Shuolan”) and Shaanxi Star Yuanlv Real Estate Co., Ltd. (陝西星空原綠置業有限公司, or “Yuanlv”) as investments in September 2021. For more detail, see “Financial Information — Discussion of Certain Balance Sheet Items — Assets — Investments in Associates.” The process of property development may be time-consuming, during which substantial capital expenditures will be required and may affect our cash flows and liquidity. Our net cash used in investing activities was approximately RMB584.8 million in 2021, primarily due to (i) prepayments for leasehold land of RMB418.3 million, and (ii) purchases of our leasehold land in Songjiang, Shanghai in the amount of RMB99.6 million. In addition, a significant amount of time may elapse between our expenditure incurred and the cash inflow after the development projects put into operation. During the Track Record Period, we utilized cash generated from our operations, capital contributions from Shareholders, and bank borrowings to fund development projects. However, there is no assurance that we will have sufficient cash flows or financial resources to fund these projects. Any delay, suspension or termination of the development may have a material adverse impact on our business, results of operations and financial conditions.

In addition, the real estate market volatility may subject us to risks in connection with possible impairment losses for our investments in Shuolan and Yuanlv, if we fail to sell our equity interests in them at our desired prices. Impairment losses may arise when the carrying value of our investments in Shuolan and Yuanlv exceeds their recoverable amount. During the Track Record Period, we did not record any impairment losses for our investments in Shuolan and Yuanlv. However, we cannot assure you that we will not make any provision of impairment in the future or incur any impairment losses for our investments in Shuolan and Yuanlv during adverse market conditions in the future. If we make provision of impairment or incur such impairment losses, our results of operations, financial condition and prospects may be adversely affected.

We have indebtedness and may incur additional indebtedness in the future, which may materially and adversely affect our financial condition and results of operations.

We incurred indebtedness during the Track Record Period and expect to incur additional bank borrowing going forward. As of December 31, 2019, 2020 and 2021, and June 30, 2022, our total interest-bearing bank borrowings amounted to approximately RMB185.0 million, RMB100.0 million, nil and nil, respectively. Our gearing ratio, as 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 end of the respective period multiplied by 100%, was approximately 4.3%, 2.5%, 0.1% and 0.5%, respectively.

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Our gearing ratio is expected to increase due to the additional bank loans to fund our further operations. Leveraging our IP resources and strong brand effect, we have expanded into the themed attraction business with an asset-light model focused on IP licensing. We have obtained the land-use right of a land parcel in Songjiang, Shanghai to build our “Songjiang Star Variety Program, Film and Drama Series Production Base” (“Songjiang Base”). We expect to further incur approximately RMB58.8 million in the second half of 2022, RMB310.0 million in 2023 and RMB577.0 million after 2023 for the Songjiang Base, and fund approximately RMB831 million by bank loans and the rest by our own funds. For details, see “Business — Our Businesses — Other IP-Related Business — Themed Attractions.”

We have indebtedness and may incur additional indebtedness in the future, and we may not be able to generate sufficient cash to satisfy our existing and future debt obligations. Our indebtedness could have an adverse effect on us, for example, by increasing our vulnerability to adverse developments in general economic or industry conditions, such as significant increases in interest rates; and limiting our flexibility in the planning for, or reacting to, changes in our business or the industry in which we operate. Our ability to generate sufficient cash to satisfy our future debt obligations will depend upon our future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, the demand for the programs we produced, many of which are beyond our control. As a result, our cash flow, financial condition and results of operations may be materially and adversely affected.

Our risk management and internal control systems may not fully protect us against various risks inherent in our business.

We have established risk management and internal control systems consisting of the relevant organizational framework policies, risk management policies and risk control procedures to manage our risk exposures, primarily our operational risks, legal risks and financial risks. However, we may not be successful in implementing our risk management and internal control systems. While we seek to continue to enhance such systems from time to time with future expansion of our business, we cannot assure you that our risk management and internal control systems are adequate or effective notwithstanding our efforts, and any failure to address any potential risks and internal control deficiencies could materially and adversely affect our business, financial condition and results of operations.

Since our risk management and internal control systems depend on the implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial condition and results of operations could be materially and adversely affected.

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Failure in our information and technology systems could interrupt our business operations.

We implement modern information and technology systems to store market and project data, and our suppliers', customers' and partners' information and to manage our business operations. However, there is no assurance that we have sufficient ability to protect our information and technology systems from all possible damages including acts of nature, telecommunications breakdown, electricity failure or similar unexpected events which are beyond our control. If our information and technology systems do not function properly, or any partial or complete failure occurs to our systems, our business operations could be materially and adversely affected.

Failure to obtain or maintain any of the government grants or preferential tax treatments could adversely affect our financial condition and results of operations.

During the Track Record Period, we received various government grants from local government authorities to reward our support for the development of local economies. Such government grants amounted to RMB42.2 million, RMB42.1 million, RMB29.7 million and RMB3.7 million in 2019, 2020, 2021 and during the six months ended June 30, 2022, respectively. During the Track Record Period, we also received certain preferential tax treatment. For example, Canxing Culture and MXQY are recognized as High and New Technology Enterprises and therefore are entitled to a preferential income tax rate of 15% for a three-year period, which will expire in November 2023. Nevertheless, such government grants and preferential tax treatment are non-recurring in nature, and the governmental authorities may decide to reduce or cancel such government grants or preferential tax treatment at any time. The discontinuation, reduction or delay of these government grants or preferential tax treatment could adversely affect our business, financial condition, results of operations and prospects. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, financial condition, results of operations and prospects.

Unauthorized disclosures or manipulation of sensitive personal data gathered during our operations, whether through breach of our network security or otherwise, could expose us to litigation or could adversely affect our reputation.

We are subject to a variety of laws and other regulations relating to the security and privacy of data, including restrictions on the collection, usage and storage of personal information and requirements to take steps to prevent personal data from being divulged, stolen or tampered with. In addition, we run the risk that our employees or third parties could misappropriate or illegally disclose confidential information in our possession. As a result, we may be required to expend significant resources to provide additional protection from the threat of these security breaches or to alleviate problems caused by these breaches.

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The interpretation and application of laws, regulations and standards relating to data protection and privacy are still uncertain and constantly changing, and these regulations are also affected by different interpretations or significant changes, which lead to uncertainty about the scope of our responsibility in this regard. For instance, on June 10, 2021, the Standing Committee of the National people’s Congress promulgated the Data Security Law of the People’s Republic of China (中華人民共和國數據安全法) (the “Data Security Law,” effective since September 1, 2021). The Data Security Law sets out a number of obligations on data security and privacy undertaken by entities and individuals engaged in data-related activities. It also prohibits any individual or entity in China from providing data stored in China to foreign judicial or law enforcement departments without the approval of the Chinese competent authorities. In accordance with the Data Security Law, the State establishes a system of classified and hierarchical protection of data, strengthens the protection of important data, and implements security review procedures for data activities that may affect national security. Personal Information Protection Law of the People’s Republic of China (中華人民共和國個人信息保護法), (the “Personal Information Law”), was promulgated on August 20, 2021 and shall come into effect on November 1, 2021. The Personal Information Law reiterating the situation in which personal information processors can handle personal information and the requirements for such cases. The personal Information Protection Act defines the scope of application, the definition of personal information and sensitive personal information, the legal basis for the processing of personal information, and the basic requirements for notification and consent.

On December 28, 2021, the CAC, jointly with other 12 governmental authorities, issued the revised Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “Review Measures”), which became effective on February 15, 2022. According to the Review Measures, 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. However, the Review Measures do not provide the standard of “affect or may affect national security”. Therefore, there can be no assurance if we are required to follow the cybersecurity review procedures, and if so, whether we would be able to complete the applicable cybersecurity review procedures in a timely manner. In addition, any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance or perceived non-compliance with the PRC Cybersecurity Law or related regulations may prevent us from using or providing certain services, and may result in fines or other penalties such as making certain required rectification, suspending our relates business, taking down our operations and bring actions against us by Chinese regulatory authorities, customers or others.

On July 30, 2021, the state council promulgated the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021. Pursuant to the regulation, a critical information infrastructure refers to important network facilities or information systems in important industries, such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger national security, people’s livelihood and public interest in case of damage, function loss or

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data leakage. In addition, competent departments and administration departments of each important industry, or Protection Departments, shall be responsible to formulate determination rules and determine the critical information infrastructure operators in the respective important industry. The result of the determination of critical information infrastructure operators shall be informed to the operators, and notify the Public Security Department of the State Council. We were not determined as a critical information infrastructure operator as of the Latest Practicable Date.

During the Track Record Period, we were not subject to any sanctions or penalties, or engaged in any regulatory talks relating to violations of laws and regulations governing personal information and cybersecurity. However, there can be no assurance that our existing data privacy, cybersecurity and protection systems and technical measures are sufficient to protect us from potential risks and uncertainties. In addition, we do not have full control over the parties we work with. Any failure or perceived failure by us or our partners to comply with any applicable data privacy, cybersecurity and protection laws and regulations, or any failure by our employees to comply with our relevant internal policies and measures, could subject us to legal proceedings, regulatory actions or penalties. Any of these could materially and adversely affect our business, results of operations, financial conditions and prospects.

Our limited insurance coverage could expose us to significant costs and business disruption. Any uninsured occurrence of business disruption, material litigation or natural disaster could expose us to significant costs, which could have an adverse effect on our results of operations.

While we believe our practice is in line with industry standards, our insurance coverage is limited. For example, we do not maintain business interruption insurance or litigation insurance. Any uninsured occurrence of business disruption, material litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material and adverse effect on our results of operations. The insurance industry in China is still evolving, there are currently limited offerings of business-related insurance products. As a result, we may not be able to insure against certain risks related to our assets or business. If we were to incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network infrastructure or business operations, or any material litigation, our results of operations could be materially and adversely affected. Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy and package on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or if the compensated amount is significantly less than our actual loss, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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We may face penalties for the non-registration of our lease agreements in China.

As of the Latest Practicable Date, the lease agreements with respect to some of properties we lease in the PRC for our business operations had not been registered and filed with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. During the Track Record Period and as of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government authorities. For details, please see “Business — Properties” in this document.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government determines that the agreements establishing the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting business of publishing and production of audio-visual products and production and distribution of radio and television programs and Internet cultural activities. See “Regulations — Regulations in Relation to Foreign Investment.” To comply with the relevant PRC laws and regulations, certain businesses currently operated by us in the PRC is directly conducted by our Consolidated Affiliated Entities, based on a series of Contractual Arrangements by and among our WFOE, our Consolidated Affiliated Entities and the Registered Shareholders, as applicable. As a result of these Contractual Arrangements, we are able to exercise control over and derive the economic benefits from our Consolidated Affiliated Entities and consolidate their results of operations. Our Consolidated Affiliated Entities hold the requisite licenses, permits and approvals required for our business operations. Some of our intellectual property rights, including copyrights and trademarks, are also held by our Consolidated Affiliated Entities. See “Contractual Arrangements.”

Our PRC Legal Advisor has advised us that the corporate structure of Canxing Culture and its subsidiaries and the agreements of Contractual Arrangements are not in violation of application PRC laws and regulations. However, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of our PRC Legal

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Advisor. If we are found to be in violation of any PRC laws or regulations or if the agreements of Contractual Arrangements among the WFOE, our Consolidated Affiliated Entities and the Registered Shareholders, as applicable, are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the Contractual Arrangements;
- revoke our business and operating licenses related to our video content operation business and/or Internet cultural activities;
- restrict or prohibit related party transactions between the WFOEs and our Consolidated Affiliated Entities;
- require us to discontinue or restrict operations related to our video content operation business and/or Internet cultural activities;
- restrict our right to collect revenue generated from our video content operation business and/or Internet cultural activities;
- levy fines on us and/or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- require us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets related to our video content operation business and/or Internet cultural activities; or
- impose additional conditions or requirements with which we may not be able to comply, or take other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the assets under the name of any record holder of equity interest in our Consolidated Affiliated Entities, including such equity interest, may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the Contractual Arrangements. In addition, the existing PRC laws, rules and regulations are subject to changes or new PRC laws, rules and regulations may be introduced to impose additional requirements, all of which may impose additional challenges to our corporate structure and Contractual Arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on our ability to conduct the business. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of Consolidated Affiliated Entities or the rights to receive their economic benefits, we would no longer be able to consolidate our Consolidated Affiliated Entities, thus adversely affect our results of operations.

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Substantial uncertainties exist with respect to whether the control of PRC onshore VIEs by foreign investors via contractual arrangements will be recognized as “foreign investment” and how it may impact the viability of our current corporate structure and operations.

On March 15, 2019, the National People’s Congress of the PRC adopted the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “FIL”), which came into force on January 1, 2020. The PRC Foreign Investment Law defines “foreign investment” as investment activity in China conducted directly or indirectly by foreign investors in any of the following manners: (i) the foreign investor, by itself or together with other investors, establishes a foreign-invested enterprise in China; (ii) the foreign investor acquires shares, equities, asset tranches, or similar rights and interests in enterprises in China; (iii) the foreign investor, by itself or together with other investors, invests and establishes a new project in China; or (iv) the foreign investor invests through other approaches as stipulated by laws, administrative regulations or otherwise regulated by the State Council. The PRC Foreign Investment Law is silent on how to define and regulate VIEs, while adding a catch-all clause that “other approaches as stipulated by laws, administrative regulations or otherwise regulated by the State Council” can fall within the concept of “foreign investment,” which leaves uncertainty as to whether a foreign investor’s control of PRC onshore VIEs via contractual arrangements will be recognized as “foreign investment.” Pursuant to the PRC Foreign Investment Law, PRC governmental authorities will regulate foreign investment by applying the principle of pre-entry national treatment together with a “negative list,” which will be promulgated by or promulgated with approval by the State Council. Foreign investors are prohibited from making any investments in industries which are listed as “prohibited” in such negative list; and, after satisfying certain additional requirements and conditions as set out in the “negative list,” are allowed to make investments in the industries which are listed as “restricted” in such negative list. With respect to any foreign investor that fails to comply with such negative list, the competent authorities are entitled to ban its investment activities, require such investor to take measures to correct its non-compliance, and impose other penalties.

The production and distribution of radio and television programs, Internet cultural activities, production and distribution of television drama series and value-added telecommunications services that we conduct through our Consolidated Affiliated Entities are subject to foreign investment restrictions or prohibitions as set out in the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》), which was promulgated by the NDRC and the MOFCOM jointly on December 27, 2021 and became effective on January 1, 2022. It is unclear whether any new “negative list” to be issued under the PRC Foreign Investment Law will be different from such existing list.

The PRC Foreign Investment Law leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. It is therefore uncertain whether our corporate structure will be seen as violating foreign investment rules as we are currently using the Contractual Arrangements to operate certain businesses in which foreign investors are currently prohibited or restricted from

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investing. Furthermore, if future laws, administrative regulations or provisions of the State Council mandate further actions to be taken by companies with respect to our existing Contractual Arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. If we fail to take appropriate and timely measures to comply with any of these or similar regulatory compliance requirements, our current corporate structure, corporate governance and business operations could be materially and adversely affected.

We rely on our Contractual Arrangements for our operations in China, which may not be as effective in providing operational control as direct ownership. Our Consolidated Affiliated Entities and/or their registered shareholders may fail to perform their obligations under our Contractual Arrangements, which may result in us resorting to litigation to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation.

Majority of our revenues are attributed to our Consolidated Affiliated Entities. Due to PRC restrictions on and prohibitions of foreign ownership of certain businesses in China, we operate our business in China through our Consolidated Affiliated Entities, in which we have no ownership interest. We rely on our Contractual Arrangements with our Consolidated Affiliated Entities and their registered shareholders to control and operate the businesses of our Consolidated Affiliated Entities. These Contractual Arrangements are intended to provide us with effective control over our Consolidated Affiliated Entities and allow us to obtain economic benefits from them. See “Contractual Arrangements” for more details about these Contractual Arrangements. In particular, our ability to control the Consolidated Affiliated Entities is dependent on the power of attorney granted by the Registered Shareholders under the Voting Right Trust Agreements, pursuant to which our WFOE is entitled to vote on all matters requiring shareholder approval with respect to our Consolidated Affiliated Entities.

Although we have been advised by our PRC Legal Advisor that each of the agreements and undertakings under the Contractual Arrangements among our WFOE, our Consolidated Affiliated Entities and their registered shareholders is legal, valid and binding under existing PRC laws and regulations, except that the dispute resolution provisions set forth in the agreements of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts, these Contractual Arrangements may not be as effective in providing operational control over our Consolidated Affiliated Entities and their subsidiaries as direct equity ownership. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of our Consolidated Affiliated Entities, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the Contractual Arrangements, as a legal matter, if our Consolidated Affiliated Entities or their registered shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws and regulations, which may

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be time-consuming, unpredictable, expensive and damaging to our operations and reputation. For example, if the shareholders of our Consolidated Affiliated Entities were to refuse to transfer their equity interests in our Consolidated Affiliated Entities to us or our designee when we exercise the call option pursuant to the agreements of the Contractual Arrangements or if they were otherwise to act in bad faith toward us, we might have to take legal action to compel them to perform their respective contractual obligations. These Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from the Contractual Arrangements will be resolved through arbitration in China. However, the legal systems, are in China, particularly as it relates to arbitration proceedings, are different from legal systems in many other jurisdictions. There are very few precedents and little official guidance as to how contractual arrangements in the context of consolidated affiliated entities should be interpreted or enforced under PRC laws. There remain significant uncertainties regarding the ultimate outcome of arbitration, should legal action become necessary. These uncertainties could limit our ability to enforce the Contractual Arrangements. In addition, arbitration awards are final and may only be enforced in PRC courts through arbitration award recognition proceedings, which could cause additional expenses and delays. In the event we are unable to enforce the Contractual Arrangements or if we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities and may lose control over the assets owned by our Consolidated Affiliated Entities. As a result, we may be unable to consolidate the financial results of such entities in our consolidated financial statements, our ability to conduct our business may be negatively affected, and our operations could be severely disrupted, which could materially and adversely affect our business, financial condition, results of operations and prospects.

As some of our Contractual Arrangements may not have fully detailed the parties' rights and obligations, our remedies for a breach of these arrangements may not be guaranteed.

Our current relationship with our Consolidated Affiliated Entities and their ultimate shareholders is based on a number of contracts, and the Consolidated Affiliated Entities are considered to be our VIEs for accounting purposes. Regardless of our internal control and contract management processes, certain terms of the Contractual Arrangements may be statements of general intent and may not have fully detailed the rights and obligations of the parties. Some of these contracts contain price and payment terms that are subject to quarterly adjustments. These provisions may be subject to different interpretations, particularly in relation to the details of the services to be provided and the price and payment terms. It may be difficult for us to obtain remedies or damages from these affiliated entities or their ultimate shareholders for breaching our agreements. As we rely significantly on these companies for our business, the realization of any of these risks may disrupt our operations or cause degradation in quality and service provided on, or a temporary or permanent shutdown of our platform.

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We may not be able to conduct our operations without the services provided by certain of our Consolidated Affiliated Entities.

Our operations are currently dependent upon our commercial relationships with our Consolidated Affiliated Entities, and we derive most of our revenues from these companies. If our Consolidated Affiliated Entities are unwilling or unable to perform the agreements which we have entered into with them, we may not be able to conduct our operations in the manner in which we currently do. In addition, our Consolidated Affiliated Entities may seek to renew these agreements on terms that are disadvantageous to us. Although we have entered into a series of agreements that provide us with substantial ability to control these companies, we may not succeed in enforcing our rights under them. If we are unable to renew these agreements on favorable terms, or to enter into similar agreements with other parties, our business may not expand, and our operating expenses may increase.

We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entities that are material to our business operations if our Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

Our Consolidated Affiliated Entities hold assets that are material to our business operations. The Contractual Arrangements with our Consolidated Affiliated Entities contain terms that specifically obligate their registered shareholders to ensure the valid existence of our Consolidated Affiliated Entities and that our Consolidated Affiliated Entities may not be voluntarily liquidated. However, should the shareholders breach this obligation and voluntarily liquidate our Consolidated Affiliated Entities, or should our Consolidated Affiliated Entities declare bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors and we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

The registered shareholders of our Consolidated Affiliated Entities may have conflicts of interest with us, which may materially and adversely affect our business.

Our control over the Consolidated Affiliated Entities is based upon the Contractual Arrangements among our Consolidated Affiliated Entities and their registered shareholders. The Registered Shareholders may potentially have conflicts of interest with us and breach their contracts or undertaking if it would further their own interest or if they otherwise act in bad faith. We cannot assure you, however, that when conflicts of interest arise, these individuals will act in the best interests of our Company or that conflicts of interest will be resolved in our favor. In the event of any such conflicts of interest, these individuals may breach or cause our Consolidated Affiliated Entities to breach or refuse to renew the Contractual Arrangements that allow us to effectively control and receive economic benefits from our Consolidated Affiliated Entities. If we cannot resolve such conflict of interest or dispute between us and such shareholders of our Consolidated Affiliated Entities should it arise, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede

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our ability to enforce the Contractual Arrangements with our Consolidated Affiliated Entities and their registered shareholders. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

We conduct our business operations in China through the Consolidated Affiliated Entities by way of the Contractual Arrangements. However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws and regulations.

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and regulations and provided for resolution of disputes through arbitration in China. Accordingly, these agreements would be interpreted in accordance with PRC laws and regulations, and disputes would be resolved in accordance with PRC legal procedures. The uncertainties as to the adoption of evidence and precedent rulings in China’s legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over our Consolidated Affiliated Entities, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Consolidated Affiliated Entities, injunctive relief and/or winding up of Consolidated Affiliated Entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws and regulations, these terms may not be enforceable. Under PRC laws and regulations, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as courts in Hong Kong and the Cayman Islands may not be recognizable or enforceable in China. PRC laws and regulations do not allow the arbitral body to grant an award of transfer of assets of or equity interests in Consolidated Affiliated Entities in favor of an aggrieved party. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by our Consolidated Affiliated Entities and/or their respective registered shareholders, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities, which could negatively affect our ability to conduct our business.

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The Contractual Arrangements may subject us to scrutiny by the PRC tax authorities and may result in a finding that we owe additional taxes or are ineligible for tax exemptions, or both, which could substantially increase our taxes owed and thereby reduce our profit attributable to equity shareholders of the Company.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the exclusive technical services and management consultancy agreements we have with our Consolidated Affiliated Entities do not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, PRC tax authorities may form the view that our subsidiaries or Consolidated Affiliated Entities have improperly minimized their tax obligations, and we may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for underpaid taxes, which could materially and adversely affect our business, financial condition and results of operations.

If we exercise the option to acquire equity ownership and assets of our Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, our WFOE has the exclusive right to purchase all or any part of the equity interests and assets in each of our Consolidated Affiliated Entities from their shareholders at a purchase price equal to RMB1.0, or at the lowest price permitted by PRC law, for the optioned interests. In the event of such transfer, the lowest price permitted by PRC law may be substantially higher than RMB1.0, or the competent tax authority may require our WFOE to pay enterprise income tax for ownership transfer income with reference to the market value instead of the price as stipulated under the Contractual Arrangements, in which case our WFOE may be subject to a substantial amount of tax and our financial condition may be materially and adversely affected.

A transfer of shares in some of our Consolidated Affiliated Entities may trigger tax liability.

If we need to cause the transfer of shareholdings in our Consolidated Affiliated Entities from their current respective shareholders to any other individual and/or entities, we may be required to pay tax in the PRC on behalf of the transferring shareholder. Such tax would be based on any gain deemed to have been realized by such shareholder on such transfer, and may be calculated based on a tax rate applied to the transferring shareholder's interest in net book value of the entity whose shares are being transferred minus the original investment cost. A significant tax obligation arising from any such transfer of shares could materially and adversely affect our business and results of operations.

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RISKS RELATING TO DOING BUSINESS IN THE PRC

Uncertainties or prolonged adversity in global or China’s economic, political and social conditions or government policies could adversely affect our business and prospects.

We derive majority of our revenues from our operations in China. As a result, our revenues and net income are impacted to a significant extent by economic, political and social conditions in China and globally, as well as economic conditions specific to online and mobile Internet usage and advertising. China’s economic conditions are sensitive to global economic conditions. The global financial markets have experienced significant disruptions since 2008 and the United States, Europe and other economies have experienced periods of recession. The global macroeconomic environment is facing new challenges and there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies. Recent international trade disputes, including tariff actions announced by the United States, the PRC and certain other countries, and the uncertainties created by such disputes may cause disruptions in the international flow of goods and services and may adversely affect the Chinese economy as well as global markets and economic conditions. There have also been concerns about the economic effect of the military conflicts and political turmoil or social instability in the Middle East, Europe, Africa and other places. The global economy, markets and levels of consumer spending are influenced by many factors beyond our control, including consumer perception of current and future economic conditions, political uncertainty, levels of employment, inflation or deflation, real disposable income, interest rates, taxation and currency exchange rates. Any severe or prolonged slowdown in the global economy may adversely affect the Chinese economy which in turn may adversely affect our business and operating results.

The rate of economic growth in the PRC has been experiencing a slowdown, primarily as a result of the COVID-19 pandemic. In addition, any future escalation of the ongoing trade war between the United States and China, regional or national instability, or ongoing impact of the COVID-19 pandemic may negatively impact the growth in both the Chinese economy and the global economy as a whole. Although the PRC government has implemented a number of measures to address the slowdown, we cannot be certain that these measures will be successful. Any continuing or worsening slowdown could significantly reduce domestic commerce in China, including through the Internet generally and within our ecosystem. An economic downturn, whether actual or perceived, a further decrease in economic growth rates, or an otherwise uncertain economic outlook in China or any other market in which we may operate could have a material and adverse effect on our business, financial condition, results of operations and prospects.

The economy of China has, in certain aspects, been transitioning to a more market-oriented economy. Although we believe that the economic reform and the macroeconomic measures adopted by the PRC government have had a positive effect on the economic development of China, we cannot predict the future direction of these economic reforms or the

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effects these measures may have on our business, financial position or results of operations. In addition, the Chinese economy differs from the economies of most countries belonging to the Organization for Economic Co-operation and Development (the “OECD”). These differences include:

- economic structure;
- level of government involvement in the economy;
- level of development;
- level of capital reinvestment;
- control of foreign exchange;
- inflation rates;
- methods of allocating resources; and
- balance of payments position.

As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the Chinese economy was similar to those of the OECD member countries.

Fluctuations in the value of the Renminbi and other currencies may have a material and adverse impact on our results of operations and other comprehensive income or loss, as well as the value of your investment.

In the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the [REDACTED] from the [REDACTED] will be in U.S. dollars. Fluctuations in the exchange rate between the Renminbi and U.S. dollar will affect the relative purchasing power in Renminbi terms of the [REDACTED] from the [REDACTED]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our Consolidated Affiliated Entities. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations. The functional currencies of certain of our overseas subsidiaries are currencies other than RMB. As at the end of each year of 2019, 2020 and 2021, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the year and their profits or losses are translated into RMB at the weighted average exchange rates for the year. During the Track Record Period, we recognized income of exchange differences on translation of foreign operations of RMB11.8 million and RMB24.7 million in 2019 and the six months ended June 30, 2022, respectively, and loss of exchange differences on translation of foreign operations of

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RMB56.1 million and RMB12.5 million in 2020 and 2021, respectively, which may be reclassified to profit or loss in subsequent periods. For more information, see “Financial Information” and Note 2.4 to the Accountants’ Report in Appendix I to this document.

Market forces or PRC or Hong Kong or U.S. government policy may adversely impact the exchange rate between the Renminbi, Hong Kong dollar and U.S. dollar in the future. Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China’s foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the measures adopted by People’s Bank of China in the foreign exchange market may impact Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long-term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

There remains significant international pressure on the PRC government to adopt a flexible currency policy to allow the Renminbi to appreciate against the U.S. dollar. Significant revaluation of the Renminbi may have a material and adverse effect on your investment. Substantially all of our revenues and costs are denominated in Renminbi and any significant revaluation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. To the extent that we need to convert U.S. dollars into Renminbi for capital expenditures and working capital and other business purposes, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of the Renminbi against the U.S. dollars may significantly reduce the translation amount in the U.S. dollar of our earnings, which in turn could adversely affect the price of our Shares, and if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our Shares, strategic acquisitions or investments or other business purposes, the appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

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Restrictions on the remittance of Renminbi into and out of the PRC and governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect foreign exchange transactions, including our ability to pay dividends and perform other obligations, and may affect the value of your investment.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange, or SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

PRC regulations of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the [REDACTED] from the [REDACTED] to make loans to our PRC subsidiaries and our Consolidated Affiliated Entities or to make additional capital contributions to our PRC subsidiaries, which may materially adversely affect our liquidity and our ability to fund and expand our business.

In utilizing the [REDACTED] we receive from the [REDACTED] in the manner described in “Future Plans and Use of [REDACTED],” as an offshore holding company with PRC subsidiaries, we may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries, or (iv) acquire offshore entities with business operations in China in offshore transactions. However, most of these uses are subject to PRC regulations and approvals. For example: capital contributions to our PRC subsidiaries, whether existing or newly-established ones, are subject to the requirement of necessary filings in the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the State Administration for Market Regulation and registration with other

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governmental authorities in China; loans by us to our PRC subsidiaries, which are foreign invested enterprises, to finance their activities cannot exceed statutory limits and must be registered with the SAFE, or its local branches; and medium or long term loans by us to our PRC operating entities, which are domestic PRC entities, must be approved by the NDRC and must also be registered with SAFE or its local branches.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the “SAFE Circular 19”). SAFE Circular 19 reforms the administration of the settlement of the foreign exchange capital of foreign-invested enterprises by allowing foreign-invested enterprises to settle their foreign exchange capital at their discretion, but it continues to prohibit foreign-invested enterprises from using RMB funds converted from their foreign exchange capital for expenditures beyond their business scope. On June 9, 2016, SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions over Capital Account Foreign Exchange (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the “SAFE Circular 16”). SAFE Circular 16 continues to prohibit foreign-invested enterprises from using the RMB funds converted from its foreign exchange capital for expenditures beyond their business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate other than for self-use. On October 23, 2019, SAFE issued the Notice of SAFE on Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知), which, among other things, expanded the use of foreign exchange capital to domestic equity investment area. Non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments by using their capital on the premise of no violation of prevailing special administrative measures for access of foreign investments (negative list) and the authenticity and compliance with the regulations of domestic investment projects. SAFE Circular 19 and SAFE Circular 16 and other relevant foreign exchange rules may significantly limit our ability to transfer and use in China the [REDACTED] from this [REDACTED], which may adversely affect our business, financial conditions and results of operations.

We expect that PRC laws and regulations may continue to limit our use of [REDACTED] or from other financing sources. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our entities in China. If we fail to receive such registrations or approvals, our ability to use the [REDACTED] and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

Substantially all of our business is conducted in China and is governed by PRC laws and regulations. Our Consolidated Affiliated Entities are located in China and subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior

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court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by relevant enforcement bodies to further apply and enforce such laws and regulations. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by whom an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

The M&A Rules and certain other PRC regulations establish complex procedures for certain acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth opportunities through acquisitions in China.

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was effective as of September 8, 2006 and amended on June 22, 2009 (the “M&A Rules”). The M&A Rules and other regulations and rules concerning mergers and acquisitions established procedures and requirements that could make merger and acquisition activities by foreign investors time consuming and complex. For example, the M&A Rules requires MOFCOM be notified in advance of any change-of control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law of PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC on August 30, 2007 and effective as of August 1, 2008 requires transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be notified and cleared by MOFCOM before they can be completed. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於建立外國投資者併購境內企業安全審查制度的通知》) (“Circular No. 6”), which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular No. 6, a security review is required for mergers and acquisitions by foreign investors having “national defense

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and security” concerns, and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns. In August 2011, MOFCOM promulgated the Rules on Implementation of Security Review System (《商務部實施外國投資者併購境內企業安全審查制度的規定》) (“MOFCOM Security Review Rules”), to replace the Interim Provisions of the Ministry of Commerce on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度有關事項的暫行規定》) promulgated by MOFCOM effective from March 2011 and expired by the end of August 2011, for implementing Circular No. 6. The MOFCOM Security Review Rules, which became effective on September 1, 2011, explicitly provide that MOFCOM will look into the substance and actual impact of the transaction and further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, and obtaining control through contractual arrangements or offshore transactions.

In the future, we may grow our business by acquiring complementary businesses. For example, we plan to pursue investments, strategic alliances and/or acquisitions in assets and businesses that are complementary to our business and in line with our strategies. For more information, see “Future Plans and Use of [REDACTED]” in this document. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

Under the PRC enterprise income tax law, we may be deemed a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our Shareholders and have a material and adverse effect on our results of operations and the value of your investment.

Under the PRC enterprise income tax law that became effective on January 1, 2008, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform EIT tax rate of 25% on its worldwide income. On April 22, 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the “Circular 82”), which sets out certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated

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offshore is located in China. Further to the Circular 82, on July 27, 2011, the SAT issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) (“SAT Bulletin 45”), which became effective on September 1, 2011, and was last amended on June 15, 2018, to provide more guidance on the implementation of the Circular 82. According to the Circular 82, an offshore-incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered a PRC tax resident enterprise by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (d) not less than half of the enterprise’s directors or senior management with voting rights habitually reside in the PRC. SAT Bulletin 45 provides further rules on residence status determination, post-determination administration as well as competent tax authorities procedures.

Although the Circular 82 and SAT Bulletin 45 apply only to offshore-incorporated enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, that the determination criteria set out therein may reflect the SAT’s general position on how the term “de facto management body” could be applied in determining the tax resident status of offshore enterprises regardless of whether they are controlled by PRC enterprises, individuals or foreigners. We do not meet all of the conditions set out in the Circular 82. Therefore, we believe that we should not be treated as a “resident enterprise” for PRC tax purposes even if the standards for “de facto management body” prescribed in the Circular 82 applied to us. For example, our minutes and files of the resolutions of our Board of Directors and the resolutions of our Shareholders are maintained outside the PRC. However, the PRC tax authorities may take a different view. If the PRC tax authorities determine that our Cayman Islands holding company or any Hong Kong or BVI subsidiary is a PRC resident enterprise for PRC enterprise income tax purposes, its worldwide income could be subject to PRC tax at a rate of 25%, which could reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Although dividends paid by one PRC tax resident to another PRC tax resident should qualify as “tax-exempt income” under the enterprise income tax law, dividends paid by our PRC subsidiary to us or any of our Hong Kong or BVI subsidiaries could be subject to a 10% withholding tax if we or any of our Hong Kong or BVI subsidiaries were treated as a PRC resident enterprise. The PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes.

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If we are treated as a resident enterprise, non-PRC resident holders of Shares may also be subject to PRC withholding tax on dividends paid by us and PRC tax on gains realized on the sale or other disposition of Shares, if such income is sourced from within the PRC. The tax would be imposed at the rate of 10% in the case of non-PRC resident enterprise holders and 20% in the case of non-PRC resident individual holders. In the case of dividends, we would be required to withhold the tax at source. Any PRC tax liability may be reduced under applicable tax treaties or similar arrangements, but it is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Although our holding company is incorporated in the Cayman Islands, it remains unclear whether dividends received and gains realized by our non-PRC resident holders of Shares will be regarded as income from sources within the PRC if we are classified as a PRC resident enterprise. Any such tax will reduce the returns on your investment in our Shares.

There are uncertainties with respect to indirect transfers of PRC taxable properties outside a public stock exchange.

We face uncertainties regarding the reporting and consequences of private equity financing transactions, private share transfers, and share exchanges involving the transfer of shares in our Company by non-resident investors. According to the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), issued by the SAT on February 3, 2015 (“Bulletin 7”), an “indirect transfer” of assets of a PRC resident enterprise, including a transfer of equity interests in a non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises (“Indirect Transfer”), may be re-characterized and treated as a direct transfer of PRC taxable properties, if such transaction lacks reasonable commercial purpose and was undertaken for the purpose of reducing, avoiding or deferring PRC enterprise income tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and tax filing or withholding obligations may be triggered, depending on the nature of the PRC taxable properties being transferred. According to Bulletin 7, “PRC taxable properties” include assets of a PRC establishment or place of business, real properties in the PRC, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income tax. When determining if there is a “reasonable commercial purpose” for the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable properties; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable properties have a real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable properties; and the tax situation of such Indirect Transfer outside China and its applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business of a foreign enterprise, the resulting gain is to be included

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with the annual enterprise filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to PRC real properties or to equity investments in a PRC resident enterprise, which are not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the competent tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest.

Currently, Bulletin 7 does not apply to the sale of shares by investors through a public stock exchange where such shares are acquired in a transaction on a public stock exchange. The PRC tax authorities could, at their discretion, adjust any capital gains and impose tax return filing and withholding or tax payment obligations and associated penalties with respect to any internal restructuring, and our PRC subsidiary may be requested to assist in the filing. Any PRC tax imposed on a transfer of our Shares not through a public stock exchange, or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in our Company.

We may rely on dividends paid by our WFOE to fund cash and financing requirements and our Consolidated Affiliated Entities are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.

We are a holding company, and we may rely on dividends paid to us by our WFOE for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our Shares and to service any debt we may incur. If our WFOE incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, a wholly foreign-owned enterprise in China, such as our WFOE, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such fund reaches 50% of its registered capital. At the discretion of the board of directors of the wholly foreign-owned enterprise, it may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. Any limitation on the ability of our WFOE to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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Furthermore, the ability of our WFOE to pay dividends in turn depends on service fees paid by our Consolidated Affiliated Entities pursuant to the Contractual Arrangements. Each of our Consolidated Affiliated Entities is required to set aside at least 10% of its accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. Although our WFOE, our Consolidated Affiliated Entities and their subsidiaries have no plan to pay any dividends in the foreseeable future, if they incur debt on their own behalf in the future, the instruments governing such debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements.

In addition, the PRC enterprise income tax law and its implementation rules provide that a withholding tax rate of 10% will be applicable to dividends payable by PRC companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC and governments of other jurisdictions in which the non-PRC-resident enterprises are incorporated.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

All of our executive Directors and executive officers reside within China, and majority of our assets are located within China. Therefore, it may be difficult for investors to effect service of process upon us or our executive Directors and officers inside China or to enforce against us or them in China any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

Pursuant to the Notice on Strengthening the Administration on Enterprise Income Tax for Non-Resident Enterprise Equity Transfer (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “SAT Circular 698”) issued by the SAT in December 2009 with retroactive effect from January 1, 2008, and abolished and void as of December 1, 2017, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report such Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and is established for the purpose of reducing,

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avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

On February 3, 2015, the SAT issued the Bulletin 7. Bulletin 7 supersedes the rules with respect to the Indirect Transfer under SAT Circular 698, but does not touch upon the other provisions of SAT Circular 698, which remains in force. Bulletin 7 has introduced a new tax regime that is significantly different from the previous one under SAT Circular 698. Bulletin 7 extends its tax jurisdiction to not only Indirect Transfers set out under SAT Circular 698 but also transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, Bulletin 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10%, for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws and regulations if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

On October 17, 2017, SAT issued the Announcement on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises (《關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “Bulletin 37”), which, among others, repeals the SAT Circular 698 on December 1, 2017. Bulletin 37 further details and clarifies the tax withholding methods in respect of income of non-resident enterprises under SAT Circular 698, and certain rules stipulated in Bulletin 7 are replaced by Bulletin 37. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the Enterprise Income Tax, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

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There are uncertainties as to the application of Bulletin 7 and Bulletin 37. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal declaration as to the process and format for reporting an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. Bulletin 7 and Bulletin 37 may be determined by the tax authorities to be applicable to previous investments by non-resident investors in our Company, if any, if such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our existing non-resident investors may become at the risk of being taxed under Bulletin 7 and Bulletin 37 and may be required to expend valuable resources to comply with Bulletin 7 and Bulletin 37 or to establish that we should not be taxed under Bulletin 7 and Bulletin 37, which may have a material and adverse effect on our financial condition and results of operations or such non-resident investors’ investments in us. We have conducted and may conduct acquisitions involving changes in corporate structures, and historically our shares were transferred by certain then shareholders to our current shareholders. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

PRC regulations relating to offshore investment activities by PRC residents may limit our Consolidated Affiliated Entities’ ability to increase their registered capital or distribute profits to us and our ability to reinvest in our Consolidated Affiliated Entities and may otherwise expose us to liability and penalties under PRC law.

In July 2014, the SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular 37”), which requires PRC residents or entities to register with the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015. If our Shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches, our PRC

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subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws and regulations for evasion of applicable foreign exchange restrictions. However, we may not at all time be fully aware or informed of the identities of all our Shareholders or beneficial owners that are required to make such registrations, and we cannot compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our Shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such Shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiary, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, and limit our subsidiaries’ ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) (the “Stock Option Rules”). Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Certain employees and former employees of our Group were granted share awards pursuant to the employee share incentive scheme adopted by Canxing Culture, which was terminated on May 14, 2021. See “History, Reorganization and Corporate Structure — Reorganization.” Failure of such employees and former employees to complete their SAFE registrations may subject these PRC residents and us to fines and legal sanctions or otherwise materially and adversely affect our business, financial condition and results of operations.

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We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

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) (《境內企業境外發行證券和上市備案管理辦法(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.

We believe 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 form. However, we cannot assure you that the Draft Regulations on Listing will be formally implemented in their current form or any new rules or regulations promulgated in the future will not impose any additional requirement on us. If it is determined that we are subject to any CSRC approval, filing, and/or other governmental authorization or requirements for future capital raising activities, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failures may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial conditions. In addition, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, the settlement and delivery may not occur. Any uncertainty and/or negative publicity regarding such an approval, filing or other requirements may also have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and the [REDACTED] and [REDACTED] of our Shares may be volatile.

Prior to the completion of the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active [REDACTED] for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the [REDACTED] at which our Shares will be [REDACTED] following the completion of the [REDACTED]. The [REDACTED] of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

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The [REDACTED] of our Shares may be volatile, which could result in substantial losses to you.

The [REDACTED] of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performances of and fluctuations in the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatilities in the price and trading volumes of our Shares. A number of China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the [REDACTED] of our Shares. These broad market and industry factors may significantly affect the [REDACTED] and [REDACTED] of our Shares, regardless of our actual operating performance.

There will be a gap of several days between [REDACTED] and [REDACTED] of our Shares, and the [REDACTED] of our Shares when [REDACTED] begins could be lower than the [REDACTED].

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be several business days after the [REDACTED]. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the [REDACTED] of our Shares could fall before [REDACTED] begins as a result of adverse market conditions or other adverse developments that could occur between the time of [REDACTED] and the time [REDACTED] begins.

The actual or perceived sale or availability for [REDACTED] of substantial amounts of our Shares, especially by our Directors, executive officers and substantial shareholders, could adversely affect the [REDACTED] of our Shares.

Future [REDACTED] of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such [REDACTED], could negatively impact the [REDACTED] of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain [REDACTED] periods beginning on the date on which [REDACTED] in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the [REDACTED] periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

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You will incur immediate and substantial dilution and may experience further dilution in the future.

As the [REDACTED] of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly “Industry Overview,” contains information and statistics relating to our industry. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the [REDACTED], the [REDACTED], the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the [REDACTED] for our Shares and [REDACTED] volume could decline.

The [REDACTED] for our Shares may be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our Shares, the [REDACTED] for our Shares would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the [REDACTED] or [REDACTED] volume of our Shares to decline.

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Whether and when the dividends will be declared and paid cannot be assured.

Our ability to declare future dividends will depend on the availability of dividends, if any, received from our Consolidated Affiliated Entities. Under applicable laws and the constitutional documents of our Consolidated Affiliated Entities, the payment of dividends may be subject to certain limitations. The calculation of certain of our Consolidated Affiliated Entities’ profit under applicable accounting standards differs in certain respects from the calculation under IFRS. As a result, our Consolidated Affiliated Entities may not be able to pay a dividend in a given year even if they have profit as determined under IFRS. Accordingly, since we derive all of our earnings and cash flows from dividends paid by our Consolidated Affiliated Entities, we may not have sufficient distributable profit to pay dividends to our Shareholders. In addition, any future dividend declaration and distribution will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and PRC laws, including, where required, the approvals from our shareholders and our Directors. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board.

Moreover, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future. See “Financial Information — Dividend Policy.”

Certain judgments obtained against us by our Shareholders may not be enforceable.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a majority of our Directors and executive officers reside within China, and most of the assets of these persons are located within China. As a result, it may be difficult or impossible for you to serve the process effectively within Hong Kong upon these individuals, or to bring an action against us or against these individuals in Hong Kong in the event that you believe your rights have been infringed under the Hong Kong laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

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Since we are incorporated under the Cayman Islands law, you may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong courts may be limited.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Memorandum of Association and Articles of Association, the Cayman Companies Act (As Revised) and the common law of the Cayman Islands. The rights of Shareholders to take action against the Directors, actions by minority Shareholders and the fiduciary duties of our Directors to us under the Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England and Wales, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary duties of our Directors under the Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions. In particular, the Cayman Islands has a less developed body of securities laws than Hong Kong. Hong Kong has more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, the Cayman Islands companies may not have standing to initiate a shareholder derivative action in Hong Kong courts.

Shareholders of Cayman Islands exempted companies like us have no general rights under the Cayman Islands law to inspect corporate records (other than the memorandum and articles of association and any special resolutions passed by such companies, and the registers of mortgages and charges of such companies) or to obtain copies of lists of shareholders of these companies. Under the Cayman Islands law, the names of our current Directors can be obtained from a search conducted at the Registrar of Companies. Our Directors will have discretion under the Memorandum of Association and Articles of Association we expect to adopt, to determine whether or not, and under what conditions, our corporate records may be inspected by our Shareholders, but are not obliged to make them available to our Shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a Shareholder resolution or to solicit proxies from other Shareholders in connection with a proxy contest.

As a result of all of the above, our public Shareholders of Shares may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board of Directors or Controlling Shareholders than they would as public shareholders of a company incorporated in Hong Kong. For a discussion of significant differences between the provisions of the Cayman Companies Act (As Revised) and the laws applicable to companies incorporated in Hong Kong and their shareholders, see "Summary of the Constitution of The Company and Cayman Islands Company Law" in Appendix III to this document.

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You must rely on the judgment of our management as to the use of the [REDACTED] from the [REDACTED], and such use may not produce income or increase the [REDACTED] of our Shares.

Our management will have considerable discretion in the application of the [REDACTED] received by us. You will not have the opportunity, as part of your investment decision, to assess whether [REDACTED] are being used appropriately. The [REDACTED] may be used for corporate purposes that do not improve our efforts to achieve or maintain profitability or increase the [REDACTED] of Shares. The [REDACTED] from the [REDACTED] may be placed in investments that do not produce income or that lose value.

Waivers [have been granted] from compliance with certain requirements of the Listing Rules. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Hong Kong Stock Exchange and SFC [has granted] to us, a number of waivers from strict compliance with the Listing Rules. See “Waivers from Strict Compliance with the Listing Rules.” There is no assurance that the Hong Kong Stock Exchange or SFC will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multijurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.